

EXHIBIT C

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

/α/Amaranth

AMARANTH PARTNERS LLC
(A Delaware Limited Liability Company)

Minimum Investment:
\$10,000,000 for Annual Liquidity Interests
\$10,000,000 for Four-Year Liquidity Interests

THESE ARE SPECULATIVE SECURITIES

AMARANTH ADVISORS L.L.C.
Manager

January 2006

For the Exclusive Use of (Name of Subscriber): _____
Memorandum Number: _____

GENERAL NOTICES

THE LIMITED LIABILITY COMPANY INTERESTS ("INTERESTS") IN AMARANTH PARTNERS LLC (THE "FUND") ARE OFFERED EXCLUSIVELY TO FINANCIALLY SOPHISTICATED, HIGH NET WORTH AND INSTITUTIONAL INVESTORS CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE FUND.

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM ("MEMORANDUM") CONSTITUTES AN OFFER ONLY TO THE PROSPECTIVE INVESTOR NAMED ON THE COVER PAGE OF THIS MEMORANDUM, AND ONLY IF DELIVERY OF THIS MEMORANDUM IS PROPERLY AUTHORIZED BY THE FUND.

THE PROSPECTIVE INVESTOR, BY ACCEPTING RECEIPT OF THIS MEMORANDUM, AGREES NOT TO DUPLICATE THIS MEMORANDUM OR FURNISH THIS MEMORANDUM OR ANY COPY OF THIS MEMORANDUM TO ANY PERSON OTHER THAN SUCH PROSPECTIVE INVESTOR'S PROFESSIONAL ADVISERS (SUBJECT TO CUSTOMARY UNDERTAKINGS OF CONFIDENTIALITY), AND FURTHER AGREES PROMPTLY TO DISPOSE OF THIS MEMORANDUM SHOULD THE PROSPECTIVE INVESTOR DECIDE NOT TO INVEST.

THE DESCRIPTIONS AND SUMMARIES OF DOCUMENTS IN THIS MEMORANDUM DO NOT PURPORT TO BE COMPLETE; INVESTORS SHOULD REFER TO THE ACTUAL DOCUMENTS TO UNDERSTAND THEIR COMPLETE TERMS AND CONDITIONS.

ALL THE INFORMATION FURNISHED IN THIS MEMORANDUM IS ACCURATE AS OF THE DATE HEREOF, UNLESS OTHERWISE INDICATED. SUCH INFORMATION SHOULD NOT BE ASSUMED TO BE ACCURATE AS OF ANY DATE AFTER THE DATE HEREOF.

THE PROSPECTIVE INVESTOR SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX OR FINANCIAL ADVICE, AND SHOULD CONSULT WITH SUCH PROSPECTIVE INVESTOR'S OWN PROFESSIONAL ADVISERS AS TO THE LEGAL, TAX, FINANCIAL OR OTHER CONSIDERATIONS RELEVANT TO DETERMINING THE SUITABILITY OF THIS INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS CONCERNING THE FUND OR THE INTERESTS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM. THE PROSPECTIVE INVESTOR MUST SUBSCRIBE SOLELY ON THE BASIS OF THE INFORMATION SET FORTH HEREIN.

THE INTERESTS MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH THE CONSENT OF THE FUND AND AS PERMITTED UNDER APPLICABLE LAW. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

GENERAL NOTICES
(cont.)

THE INTERESTS ARE SPECULATIVE, ILLIQUID, INVOLVE SUBSTANTIAL RISK, AND ARE A SUITABLE INVESTMENT ONLY FOR A LIMITED PORTION OF A PORTFOLIO. INVESTORS COULD LOSE ALL OR SUBSTANTIALLY ALL OF THEIR INVESTMENT IN THE FUND.

THE PAST PERFORMANCE OF SPECULATIVE STRATEGIES SUCH AS THOSE IMPLEMENTED BY THE FUND IS NOT NECESSARILY INDICATIVE OF THEIR FUTURE RESULTS.

SEE “RISK FACTORS” AND “CONFLICTS OF INTEREST.”

REGULATORY NOTICES

GENERAL

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE INTERESTS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE ANY SUCH OFFER, SOLICITATION OR SALE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE TERMS OF THIS OFFERING OF THE INTERESTS, INCLUDING THE MERITS AND RISKS INVOLVED. THE INTERESTS HAVE NOT BEEN RECOMMENDED, APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. NONE OF THE FOREGOING AUTHORITIES HAVE PASSED UPON, OR ENDORSED THE MERITS OF, THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INTERESTS HAVE NOT BEEN REGISTERED WITH THE SEC UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH STATE LAWS. THE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND SUCH APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREUNDER. THERE IS NO PUBLIC OR OTHER MARKET FOR THE INTERESTS, NOR IS IT LIKELY THAT ANY SUCH MARKET WILL DEVELOP.

COMMODITY FUTURES TRADING COMMISSION

THE FUND TRADES FUTURES CONTRACTS. HOWEVER, AMARANTH ADVISORS L.L.C. (THE "MANAGER") IS EXEMPT FROM REGISTRATION WITH THE COMMODITY FUTURES TRADING COMMISSION (THE "CFTC") AS A "COMMODITY POOL OPERATOR" WITH RESPECT TO THE FUND, PURSUANT TO THE CFTC'S RULE 4.13(a)(4), BECAUSE THE INTERESTS WILL ONLY BE HELD BY PERSONS WHICH ARE "ACCREDITED INVESTORS," AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT, AND "QUALIFIED PURCHASERS," AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THEREFORE, UNLIKE A "COMMODITY POOL" OPERATED BY A REGISTERED "COMMODITY POOL OPERATOR," THE FUND AND THE MANAGER ARE NOT REQUIRED TO DELIVER A DISCLOSURE DOCUMENT OR A CERTIFIED ANNUAL REPORT TO MEMBERS. HOWEVER, THE FUND WILL DELIVER THIS MEMORANDUM AS WELL AS THE PERIODIC AND ANNUAL REPORTS DESCRIBED HEREIN TO ALL MEMBERS.

REGULATORY NOTICES
(cont.)

TAX CONFIDENTIALITY

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS MEMORANDUM, THE PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS MEMORANDUM AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS BETWEEN THE FUND OR ITS REPRESENTATIVES AND THE PROSPECTIVE INVESTOR REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

FLORIDA INVESTORS

IF THE INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE INVESTMENT COMPANY ACT, A PENSION OR A PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), THE INVESTOR ACKNOWLEDGES THAT ANY SALE OF THE INTERESTS TO THE INVESTOR IS VOIDABLE BY THE INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE INVESTOR TO THE FUND, OR AN AGENT OF THE FUND, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE INVESTOR, WHICHEVER OCCURS LATER.

PRIVACY POLICY

THE FUND AND THE MANAGER (COLLECTIVELY, "AMARANTH") ARE COMMITTED TO MAINTAINING THE PRIVACY OF CURRENT AND PROSPECTIVE INVESTORS IN THE FUND. AMARANTH RECOGNIZES THAT ITS INVESTORS ENTRUST AMARANTH WITH HIGHLY CONFIDENTIAL PERSONAL AND FINANCIAL INFORMATION, AND AMARANTH UNDERSTANDS THAT PROTECTING AND SAFEGUARDING THIS INFORMATION IS IMPORTANT.

IN THE COURSE OF PROCESSING AN INVESTOR'S SUBSCRIPTION AGREEMENT TO THE FUND AND AMARANTH'S ONGOING DEALINGS WITH SUCH INVESTOR, AMARANTH MAY OBTAIN NON-PUBLIC PERSONAL INFORMATION ABOUT SUCH INVESTOR. THIS INFORMATION MAY INCLUDE THE INVESTOR'S NAME, ADDRESS, TELEPHONE NUMBER, EMAIL ADDRESS, PASSPORT NUMBER, SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER, BANK ACCOUNT NUMBER, TRANSACTION HISTORY AND OTHER PERSONAL INFORMATION. AMARANTH MAY COLLECT DIFFERENT TYPES OF INFORMATION IN A VARIETY OF WAYS, INCLUDING:

- INFORMATION IT RECEIVES FROM AN INVESTOR'S SUBSCRIPTION AGREEMENT, FROM OTHER FORMS AND QUESTIONNAIRES, OR OTHERWISE IN THE COURSE OF ESTABLISHING AN INVESTOR RELATIONSHIP.
- INFORMATION ABOUT THE FREQUENCY OF AN INVESTOR'S OR OTHER PERSON'S USE OF AMARANTH'S WEB SITE.
- INFORMATION ABOUT AN INVESTOR'S TRANSACTIONS WITH THE FUND, ITS AFFILIATES, OR OTHERS, SUCH AS SUCH INVESTOR'S INVESTMENT AND WITHDRAWAL HISTORY.

AMARANTH USES THIS INFORMATION FOR MARKETING PURPOSES AS WELL AS INTERNAL ADMINISTRATION AND ANALYSIS. AMARANTH DOES NOT DISCLOSE ANY NON-PUBLIC PERSONAL INFORMATION ABOUT INVESTORS OR FORMER INVESTORS IN THE FUND TO ANY NON-AFFILIATED PARTIES, EXCEPT TO THIRD-PARTY SERVICE PROVIDERS WHO ASSIST IN THE OPERATION OF AMARANTH'S AND THE FUND'S BUSINESS, AS REQUIRED BY LAW, AT THEIR REQUEST OR WITH THEIR CONSENT. AMARANTH RESTRICTS ACCESS TO NON-PUBLIC PERSONAL INFORMATION TO THOSE PERSONNEL, AGENTS OR OTHER PARTIES WHO NEED TO KNOW THAT INFORMATION TO PROVIDE SERVICES TO SUCH PERSONS. AMARANTH MAINTAINS PHYSICAL, ELECTRONIC AND PROCEDURAL SAFEGUARDS TO PROTECT NON-PUBLIC PERSONAL INFORMATION. AMARANTH'S PRIVACY POLICY COVERS ALL INDIVIDUALS WHO ARE INVESTORS IN THE FUND, WHO HAVE BEEN INVESTORS IN THE FUND OR WHO ARE CONSIDERING AN INVESTMENT IN THE FUND.

PRIVACY POLICY
(cont.)

FOR THE LIMITED PURPOSES OUTLINED ABOVE, AMARANTH MAY DISSEMINATE INTERNALLY NON-PUBLIC, PERSONAL INFORMATION CONCERNING INVESTORS. HOWEVER, AMARANTH WILL USE REASONABLE BEST EFFORTS TO ENSURE THAT SUCH INFORMATION IS TREATED IN ACCORDANCE WITH THIS PRIVACY POLICY.

BY DISCLOSING PERSONAL INFORMATION TO AMARANTH, THE DISCLOSING PARTY CONSENTS TO THE COLLECTION, STORAGE AND PROCESSING OF ITS PERSONAL INFORMATION BY AMARANTH IN A MANNER CONSISTENT WITH THIS PRIVACY POLICY.

AMARANTH WILL PROVIDE INVESTORS IN THE FUND WITH A COPY OF ITS PRIVACY POLICY ANNUALLY, AND IF ANY MATERIAL CHANGES OCCUR TO ITS PRIVACY POLICY, AMARANTH WILL NOTIFY INVESTORS AS PROMPTLY AS PRACTICABLE OF SUCH CHANGES. IF YOU HAVE ANY QUESTIONS ABOUT THIS PRIVACY POLICY, PLEASE CALL A REPRESENTATIVE OF AMARANTH AT (203) 422-3333.

FOR THE AVOIDANCE OF DOUBT, THE FOREGOING PRIVACY POLICY SHALL NOT PREVENT AMARANTH OR THE FUND FROM DISCLOSING TO APPROPRIATE THIRD PARTIES SUCH INFORMATION AS AMARANTH OR THE FUND MAY DEEM NECESSARY OR ADVISABLE IN ORDER TO COMPLY WITH APPLICABLE ANTI-MONEY LAUNDERING AND OTHER APPLICABLE LAWS AND REGULATIONS.

AMARANTH PARTNERS LLC

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AMARANTH PARTNERS LLC

SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Confidential Private Placement Memorandum ("Memorandum"), the Fifth Amended and Restated Limited Liability Company Agreement of the Fund (the "Limited Liability Company Agreement") and in the other Material Contracts (see "General — Material Contracts"), each of which is available upon the request of any existing or prospective investor and is incorporated by reference herein.

Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Material Contracts.

The Fund

The Fund

Amaranth Partners LLC (the "Fund") is a private investment fund organized as a Delaware limited liability company. Amaranth Advisors L.L.C. ("Amaranth Advisors" or the "Manager") is the manager of the Fund (see "— The Manager," below). As of December 1, 2005, the capitalization of the Fund was approximately \$1.3 billion. From September 2000 to November 30, 2005, the Fund's compound annual return to Members, net of all costs including Manager Allocations and Profit Allocations, has been approximately 14.72%. See Appendix — Amaranth Partners LLC — Performance Summary for Annual Liquidity Interests. Past results are not necessarily indicative of future performance; an investment in the Fund is speculative and involves a high degree of risk.

The Fund's Investment Objective and Strategies

The investment objective of the Fund is superior risk-adjusted returns. In managing the portfolio of the Master Fund (see "— The Master Fund," below), in which the Fund invests a substantial portion of its capital, Amaranth Advisors (collectively with its Affiliates, "Amaranth," unless the context otherwise requires) opportunistically employs a wide range of relative value, event-driven, directional, hybrid and other strategies on a global basis. There are no material limitations on the instruments, strategies, markets or countries in which the Fund may invest.

SUMMARY (cont.)

The Fund's Investment Objective and Strategies (cont.)

In executing its investment strategies, the Fund may enter into joint venture or co-investment arrangements, participate in pooled investment vehicles, invest capital with unaffiliated advisors or managers ("Third-Party Managers"), as well as make direct investments in (as opposed to investments in the public securities or bank loans of) operating entities as to which the Fund is limited in its ability to exercise day-to-day management control (such joint ventures, co-investments, pooled investments, real estate ventures and other investments, collectively, "Third-Party Ventures") where Amaranth determines that such arrangements complement Amaranth's expertise and/or enhance the Fund's ability to access specific investment opportunities. In making such investments on behalf of the Fund, Amaranth may, where it deems appropriate, negotiate for specific rights — for example, position transparency rights, risk management rights (which may include the right to veto or pre-approve investments made by a Third-Party Manager or investment partner), liquidity rights, special fees or profit-sharing arrangements and other negotiated terms. However, Third-Party Ventures may not include any such rights. Amaranth's investments in certain Third-Party Ventures may be made on the same basis as by any other passive investor.

In addition, the Fund may make investments that are long-term in nature and/or less liquid than an investment in readily-marketable securities ("Longer-Term Investments"). Amaranth's determination to make Longer-Term Investments, as well as its decision to participate in Third-Party Ventures, will be based on Amaranth's assessment of the potential risk and return of each such investment. *For a description of the risks associated with Third-Party Managers, Third-Party Ventures, Longer-Term Investments and other less liquid investments, see "Risk Factors": "— Strategy Risks — Third-Party Managers and Third-Party Ventures," "— Strategy Risks — Longer Term Investments," "— Certain Instruments Traded — Private Investments; Illiquid Investments; Designated Investments; Estimated Values" and "— Certain Trading and Investing Techniques — Duration of Investment Positions."*

As of the date of this Memorandum, the Fund's commitment to Third-Party Managers, Third-Party Ventures and Longer-Term Investments do not represent a material portion of the Fund's overall portfolio; however, the amount of capital invested in this manner may increase, possibly materially, over time as market conditions and opportunities merit.

SUMMARY (cont.)

The Fund's Investment Objective and Strategies (cont.)

The Fund may invest in countries that are considered to be "emerging markets." These investments present special risks, including: political instability; changes in governmental administration, policy and regulation; the possible imposition of currency and exchange controls; ineffective legal systems; inadequate accounting and disclosure rules; unequal market access; inability to hedge market risk; confiscatory taxation; and/or outright expropriation. *For a description of the risks associated with investing in "emerging markets," see "Risk Factors — Certain Instruments Traded — Non-U.S. Securities and Emerging Markets."*

There can be no assurance that the investment objective of the Fund will be achieved or that its strategies will be successful. Past results are not necessarily indicative of future performance, and investors must be prepared to lose all or substantially all of their investment in the Fund. The increasing emphasis of the Fund on Third-Party Ventures and Longer-Term Investments may result in its performance to date not being representative of how it will perform in the future.

The Amaranth Structure

The Manager

Amaranth Advisors is the Manager of the Fund and the trading advisor of the Master Fund.

As of December 1, 2005, Amaranth was managing capital of approximately \$7.4 billion.

Affiliates of Amaranth are registered in the category of Investment Counsel and Portfolio Manager and Limited Market Dealer with the Ontario Securities Commission ("OSC") and with the United Kingdom ("U.K.") Financial Services Authority ("FSA") under Part IV of the U.K. Financial Services and Markets Act 2000.

A recently-adopted rule (the "Hedge Fund Advisers Registration Rule") promulgated by the Securities and Exchange Commission (the "SEC") requires, with certain exceptions, that substantially all "hedge fund" advisers register as "investment advisers" under the Investment Advisers Act of 1940 (the "Advisers Act"). Amaranth has notified the Fund that it does not currently intend to register as an "investment adviser," although it may do so at a later date. Amaranth is not required to register with the SEC due to the twenty-five (25) month minimum investment period (the "Lock-Up Period") imposed on all investments made (by new or existing investors in the Fund and/or in other Amaranth "feeder funds") on or after February 1, 2006. See " — Withdrawals — The Lock-Up Period — Lock-Up Period for Capital Contributions Made on or after February 1, 2006," below. Prospective investors must not rely on Amaranth becoming an SEC-registered "investment adviser" in determining whether to invest in the Interests.

SUMMARY (cont.)

The "Master Fund"

Amaranth LLC, a Cayman Islands exempted company, is the "Master Fund" in which the Fund invests a substantial portion of its capital. The Fund and the Fund's offshore counterpart, Amaranth International Limited (the "Offshore Fund"), a Bermuda company, and Amaranth Capital Partners LLC, a Delaware limited liability company (together with the Offshore Fund, the "Other Feeder Funds"), are the other principal investors in the Master Fund. The Fund and the Other Feeder Funds aggregate their investments through the Master Fund so as to concentrate credit status and negotiating leverage, while also achieving administrative economies of scale, eliminating the need for trade allocations and simplifying ongoing operations.

As of December 1, 2005, the capitalization of the Master Fund was approximately \$6.8 billion.

The Master Fund implements Amaranth's investing and trading strategies both directly and through a variety of trading subsidiaries ("Trading Vehicles"). References to the Fund include the Master Fund and the Trading Vehicles (or the Fund's interests therein, as the case may be), unless the context otherwise requires.

Direct Trading; Investment Restrictions

In situations in which the Master Fund is restricted from investing in a particular investment or strategy but the Fund itself is not, the Fund may trade directly for its own account or invest in a Trading Vehicle that engages in such investment activity or strategy. Similarly, in situations in which the Fund and/or the Master Fund is restricted from investing in a particular investment or strategy, but the Other Feeder Funds are not, the Other Feeder Funds may make investments and engage in strategies in which the Fund does not participate.

The Fund may participate in certain transactions as a borrower or provider of debt financing, either directly or indirectly through the Master Fund or through one or more Trading Vehicles owned by the Fund or the Master Fund borrowing or lending capital from or to one or more other Manager Clients, in each case either directly or through financial structures designed to address Law, tax or other considerations.

Other Manager Clients

Other Manager Clients may invest in certain investments and strategies in which the Fund does not or is unable to participate.

The performance of the Fund and the Other Feeder Funds may diverge due to the different investment restrictions to which they are subject.

Fund Administration

Administrative and Accounting Services

Amaranth Group Inc. ("Amaranth Group"), an Affiliate of the Manager, provides administrative and accounting services to the Fund.

SUMMARY
(cont.)

The Offering; Interests of Each Class

The Offering

As of the date of this Memorandum, the Fund has outstanding a single class of Interests — “Annual Liquidity Interests.” Commencing January 1, 2006, the Fund will offer an additional class of Interests — “Four-Year Liquidity Interests.” Each such class of Interests is referred to in this Memorandum as a “Class.” Within each Class the Fund issues Designated Investment Interests with respect to each “Designated Investment” which it makes. *For a description of Designated Investment Interests and Designated Investments, see “— Designated Investments; Special Allocations,” below.*

Interests of both Classes are generally available for issuance as of the beginning of each calendar month.

The minimum initial Capital Contribution by each investor is \$10,000,000 to the Annual Liquidity Interests and \$10,000,000 to the Four-Year Liquidity Interests.

A Member may, with the consent of the Manager, exchange all or a portion of such Member’s Annual Liquidity Interest for a Four-Year Liquidity Interest, and *vice versa*, on the same notice and as of the same Anniversary Dates or Four-Year Anniversary Dates, as the case may be, on which Withdrawals could be made from such Interest — no such exchanges being permitted with respect to Interests issued on or after February 1, 2006 (“Post-January 2006 Interests”) prior to the end of the applicable Lock-Up Period. *See “— Withdrawals — The Lock-Up Period — Lock-Up Period for Capital Contributions Made on or after February 1, 2006,” and “— Exchanges Between Classes,” below.*

Two Classes of Interests

The two Classes will participate in the same portfolio on a *pro rata* basis. However, the issuance of Four-Year Liquidity Interests (together with Post-January 2006 Interests, which are subject to applicable Lock-Up Periods) should permit the Fund as a whole to increase its commitment to Longer-Term Investments than the Fund could prudently make if it issued exclusively Annual Liquidity Interests.

SUMMARY (cont.)

Two Classes of Interests (cont.)

A separate Memorandum Account is tracked in respect of Annual Liquidity Capital Account balances with different Anniversary Dates (each, an "Annual Liquidity Memorandum Account"), Four-Year Liquidity Capital Account balances with different Four-Year Anniversary Dates (each, a "Four-Year Liquidity Memorandum Account"), Capital Account balances still subject to their applicable Lock-Up Periods, Capital Account balances subject to different Designated Investment Ceilings and other Classes of Interests which differ from one another in respect of certain business terms. The Memorandum Accounts are used initially to record the Capital Account balances of each Class attributable to each Capital Contribution made by a Member, and subsequently to allocate increases and decreases in the "Gross Asset Value" (i.e., Net Asset Value prior to reduction for Manager Allocations or Profit Allocations not yet made) and the Net Asset Value of such Interests, as well as Manager Allocations, Profit Allocations, Allocable Expenses and other expenses, among the Interests so that at any point in time, the Gross Asset Value and the Net Asset Value of each Member's Capital Account balance subject to different business terms are clearly determined. The Manager may make such adjustments to the method by which allocations are made to the Memorandum Accounts as the Manager may deem reasonable. See "Withdrawals — Memorandum Accounts."

The Fund may restrict the availability of Annual Liquidity Interests in an effort to enhance the stability of the Fund's equity base, may discontinue the offering of the Interests of either or both Classes at any time, and may adjust the offering terms and procedures used for the Interests as Amaranth determines that market conditions and investment opportunities warrant.

Financial Terms

Monthly Manager Allocation

The Fund makes a monthly Manager Allocation to the Manager generally equal to 0.125% of the aggregate Gross Asset Value of each Class of Interests held by a Member at the end of each calendar month (a 1.5% annual rate).

Annual Liquidity Interests and Four-Year Liquidity Interests are subject to the same Manager Allocations.

Annual Profit Allocation

As of each December 31, the Fund makes a Profit Allocation (if due) to the Manager equal to: (i) 20% of any Net New Profit then attributable to each Member's Annual Liquidity Interest; and (ii) 15% of any Net New Profit attributable to each Member's Four-Year Liquidity Interest.

SUMMARY
(cont.)

**Annual Profit
Allocation (cont.)**

Profit Allocations are calculated separately with respect to each Class of Interests held by a Member (not separately with respect to each Capital Contribution made by such Member to such Class). However, Profit Allocations are calculated separately with respect to the Annual Liquidity Interest and the Four-Year Liquidity Interest held by a Member which has invested in both Classes.

In the event that a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, it is possible that such Member will be subject to a Profit Allocation with respect to one Class even though the other Class, and such Member's overall investment in the Fund, has incurred losses.

Post-January 2006 Interests and Interests issued prior to February 1, 2006 ("Pre-February 2006 Interests") of each Class held by the same Member are combined for purposes of calculating the Profit Allocation (if any) due with respect to the Interests of such Class.

"Net New Profit" is equal to the amount by which the Gross Asset Value of the Interest of each Class held by a Member (calculated after reduction for Manager Allocations and for all accrued expenses, but not for any Profit Allocations or for any accrued DT Bonuses to be credited against any Profit Allocations, see "— DT Bonuses," below) exceeds the High Water Mark attributable to such Interest.

Profit Allocations do not themselves reduce Net New Profit for purposes of calculating Profit Allocations — *i.e.*, the Manager does not need to "earn back" Profit Allocations previously made in order to generate additional Profit Allocations.

The High Water Mark applicable to each Member's Interest (determined separately with respect to each Class if a Member holds both Classes) is the highest aggregate Net Asset Value (which is then also the Gross Asset Value) of such Member's Interest as of any preceding December 31, after reduction for the Profit Allocation then made (or a Member's aggregate Capital Contributions to such Class, if higher, in the case where such Member's Interest has been unprofitable since inception). The High Water Mark is proportionately reduced whenever Withdrawals, Distributions, Transfers or exchanges between Classes are made, and is increased dollar-for-dollar by Capital Contributions made by such Member (as well as by the net liquidation proceeds and/or the fair value of the underlying assets of Designated Investments returned to the General Portfolio and attributable to such Member's Interest).

SUMMARY
(cont.)

**Profit Allocations
Made on Withdrawal,
Transfer or Exchange**

When a Member Withdraws, Transfers or exchanges all or a portion of its Interest (except in the case of Transfers to certain "Related Investors," as defined under "*Financial and Tax Allocations; Expenses — Profit Allocations — Withdrawals; Distributions; Transfers; Exchanges*"), any Profit Allocation with respect to the Interest Withdrawn, Transferred or exchanged is made to the Manager. Proportionate Profit Allocations will also be made whenever Distributions are paid.

DT Bonuses

Certain bonuses ("DT Bonuses") payable by the Fund to "Designated Traders" reduce the Profit Allocations (if any) that would otherwise be made as of the end of a Fiscal Year, but not below \$0, so that (in the case where Profit Allocations exceed DT Bonuses) *the sum of the Profit Allocations to be made and the DT Bonuses payable with respect to a Fiscal Year and, in each case, attributable to a Member's Interest of each Class, equals the Profit Allocations that would have been made had Amaranth itself paid the DT Bonuses without reimbursement from the Fund.* For further clarification, in the case where DT Bonuses exceed Profit Allocations, such excess is allocated to the Fund in the same manner as the other Allocable Expenses of the Fund. See "*— Operating Expenses and Transaction Costs,*" below.

DT Bonuses reduce the Profit Allocations themselves, but not (to the extent that DT Bonuses are credited against Profit Allocations) the Net New Profit on which the Profit Allocations are calculated.

Designated Traders are a strictly limited group of investment professionals, as determined from time to time by Amaranth, who either: (i) are the portfolio managers having overall investment management responsibility — not only trading authority — for each portfolio or sub-portfolio implemented on behalf of the Fund or of the Master Fund, as the case may be; or (ii) devote substantially all of their business time to trade execution, as opposed to performing research (fundamental or quantitative), securities lending or borrowing, treasury, risk management, investor relations or other services.

SUMMARY
(cont.)

DT Bonuses (cont.)

For purposes of determining whether an investment professional devotes substantially all of his or her business time to trade execution, Amaranth considers, among other things, whether such person is listed with Amaranth's execution brokers as an authorized trader and the frequency of such person's (i) communications with sales desks of the execution brokers for execution-related purposes and (ii) trade execution with the execution brokers. The extent to which an investment professional's compensation is based on the performance of one or more specific portfolios, sub-portfolios or positions, and the amount and/or form of such investment professional's compensation, are not determinative of such investment professional's status as a Designated Trader. In fact, certain Amaranth personnel (including persons who are not investment professionals) may receive a higher level of compensation than certain Designated Traders. Not all highly compensated investment professionals and members of Amaranth's senior management are Designated Traders.

For purposes of determining whether an investment professional is a portfolio manager of a sub-portfolio, the Designating Party considers, among other things, (i) the investment professional's level of discretion over trading decisions without input from the portfolio manager for the overall portfolio and level of input in setting investment strategy for the overall portfolio or sectors of the overall portfolio and (ii) the existence of any trading limits imposed on such investment professional by the portfolio manager. An investment professional may be the portfolio manager of a portfolio, and of any one or more of the sub-portfolios of such portfolio even if another investment professional has significant investment responsibility for a portion of the capital committed to such portfolio and/or sub-portfolios. However, it is highly likely that an investment professional who is the portfolio manager for a sub-portfolio will be the portfolio manager for the portfolio of which such sub-portfolio is a constituent part.

Notwithstanding the number of portfolio managers employed by Amaranth, there is only one investment professional designated as the portfolio manager for each portfolio or sub-portfolio, and the same investment professional may be designated as being the portfolio manager for more than one portfolio or sub-portfolio.

The determination of which Manager Party employees constitute Designated Traders, as well as the portion of such individuals' activities and/or the portion of the applicable Fiscal Year with respect to which such individuals were so classified, involves a subjective determination by Amaranth.

SUMMARY
(cont.)

DT Bonuses (cont.)

Amaranth's determination of which of its personnel constitute Designated Traders (certain of such personnel may be so designated in respect of a portion of their bonuses or for only a portion of a Fiscal Year) is binding if made in a manner consistent with the standard of care set forth in the Material Contracts. *See "Management — Standard of Liability; Indemnification."*

Amaranth may, but is under no obligation to, pay DT Bonuses from its own assets, in which case such DT Bonuses will not reduce Profit Allocations.

See "Financial and Tax Allocations; Expenses — Profit Allocations — DT Bonuses."

**Operating Expenses
and Transaction Costs**

The Fund pays all trading, operating and administrative costs and expenses, as well as the costs, fees and expenses of the auditors and legal advisers to the Fund, the cost of printing and distributing periodic and annual reports and statements and all other expenses related to the business of the Fund. The Fund also bears its allocable share of Amaranth's and the Master Fund's direct and indirect trading, general operating and administrative costs and expenses, as well as those of the Manager Parties (including those of Manager Parties located outside the U.S.) in providing services to the Fund, including, without limitation, employee compensation (including bonus compensation), severance arrangements and non-competition covenant costs, depreciation, office rent, information systems, computer hardware and software, investment research, quotation services, other overhead expenses and the costs of general operating assets, including leasehold improvements, data transmission lines, communications equipment, furniture and fixtures ("Allocable Expenses").

The Allocable Expenses paid by the Fund include a variety of expenses that Amaranth considers to be necessary, advisable or desirable for the operations of Amaranth and/or the Fund but that may be materially more expensive than those incurred by other businesses or by other hedge fund managers. *See "Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs."*

Expenses borne by the Fund include the Fund's allocable share of the expenses incurred by the Trading Vehicles in which the Fund invests.

SUMMARY (cont.)

Operating Expenses and Transaction Costs (cont.)

During 2002, 2003 and 2004, the Allocable Expenses borne by the Members, net of the effect of the Profit Allocation and DT Bonuses (which reduce Fiscal Year-end Profit Allocations), approximated 2.0%, 2.6%, and 2.0%, respectively, of the average Net Asset Value of the Fund. These Allocable Expenses are in addition to the Manager Allocations and Profit Allocations made to Amaranth. Allocable Expenses reduce the Net New Profit on the basis of which Profit Allocations are made. Accordingly, in profitable years the Manager and the Designated Traders effectively absorb up to 20% of the Allocable Expenses attributable to the Annual Liquidity Interests and 15% of the Allocable Expenses attributable to the Four-Year Liquidity Interests.

Allocation of the Allocable Expenses of Amaranth and Its Affiliates

Allocable Expenses (including expenses associated with Designated Investments and out-of-pocket expenses associated with transactions that are prospective Designated Investments) are allocated among the different Manager Clients in such manner as Amaranth may determine, giving consideration to relative capitalization, relative position size, number of holdings and profitability (*i.e.*, the dollar amount of profits generated, not the percentage rate of return). Variable expenses (primarily the bonus compensation of Amaranth personnel which are not Designated Traders) are allocated primarily on the basis of the relative profitability of the respective Manager Clients. The methodology used to allocate Allocable Expenses does not attribute Allocable Expenses to the various Manager Clients on the basis of the costs incurred by their respective operations, and the Fund may be subject to Allocable Expenses incurred with respect to investment activities in which the Fund does not itself participate but in which other Manager Clients and/or Manager Parties do participate. See *"Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs"* and *"Conflicts of Interest — Amaranth — Profit Allocations; DT Bonuses; Allocable Expenses."*

The out-of-pocket expenses attributable to each Designated Investment are generally allocated to such Designated Investment. See *"Financial and Tax Allocations; Expenses — Designated Investments."*

Expenses Associated with Third-Party Ventures

The Fund bears its allocable share of all expenses associated with its investments in Third-Party Ventures, which may include incentive or performance-based fees, management fees (including asset-based fees) and other fees and expenses payable to Third-Party Managers and/or other advisers or managers participating in such Third-Party Ventures. See *"Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs."*

Placement Fees

Capital Contributions may be subject to a placement fee, and Amaranth reserves the right to pay placement and/or referral fees (both initial and ongoing) to persons who introduce prospective investors.

SUMMARY (cont.)

"Soft Dollars"

The Manager may receive certain "soft dollar" research and other services from the Fund's brokers and counterparties. However, as a matter of policy, the Manager generally disfavors "soft dollar" arrangements, and, in most cases, any such services would only reduce the Allocable Expenses that would otherwise be paid by the Fund. Certain of the Third-Party Managers with which the Fund invests may, however, make use of "soft dollar" services, and any additional transaction expenses incurred in order to obtain such services — unlike in the case of any "soft dollar" services obtained by the Manager — would generally constitute incremental expenses to the Fund.

See "Financial and Tax Allocations; Expenses" and "Brokerage Arrangements."

Withdrawals

The Lock-Up Period

Lock-Up Period for Capital Contributions Made on or after February 1, 2006

All Post-January 2006 Interests (i.e., Interests issued on or after February 1, 2006), whether Annual Liquidity Interests or Four-Year Liquidity Interests, will be subject to an initial "Lock-Up Period" ending with the 25th calendar month-end after their issuance.

During the applicable Lock-Up Period, no Annual Appreciation Withdrawals (in the case of Annual Liquidity Interests), Anniversary Withdrawals (in the case of Annual Liquidity Interests), Four-Year Anniversary Withdrawals (in the case of Four-Year Liquidity Interests) or Quarterly Withdrawals may be made with respect to Post-January 2006 Interests.

Anniversary/Four-Year Anniversary Withdrawal Provisions for Annual Liquidity Interests and Four-Year Liquidity Interests

Annual Liquidity Interests

Upon at least ninety (90) days' prior written notice to the Fund, a Member may make a Withdrawal (an "Anniversary Withdrawal") from an Annual Liquidity Memorandum Account as of each 12-month anniversary of the end of the month in which the Capital Contribution establishing such Memorandum Account was made or as of such other anniversary date or dates as may be agreed between the Fund and such Member (an "Anniversary Date").

Anniversary Withdrawals from Post-January 2006 Annual Liquidity Memorandum Accounts may not be made until the end of the Lock-Up Period applicable to such Memorandum Accounts.

The Manager may establish, with the consent of the affected Member and subject to any applicable Lock-Up Periods, different or multiple Anniversary Dates with respect to all or a portion of the Annual Liquidity Capital Contribution made by such Member as of the same date.

SUMMARY
(cont.)

**Annual Liquidity
Interests (cont.)**

In the event that a Member makes Annual Liquidity Capital Contributions at more than one time, the Annual Liquidity Memorandum Accounts established with respect to such Capital Contributions may have different Anniversary Dates and will have different Lock-Up Periods.

**Four-Year Liquidity
Interests**

Upon at least one hundred and twenty (120) days' prior written notice to the Fund, a Member may make a Withdrawal (a "Four-Year Anniversary Withdrawal") from a Four-Year Liquidity Memorandum Account as of each four-year anniversary date (a "Four-Year Anniversary Date") attributable to such Four-Year Memorandum Account.

The Four-Year Anniversary Date attributable to a Four-Year Liquidity Memorandum Account will be agreed upon between the Fund and each Member at the time that the applicable Four-Year Liquidity Capital Contribution is made, and will be a month-end on or after the 40th and on or before the 56th month-end after the beginning of the month as of which such Four-Year Liquidity Capital Contribution was made.

The period between the date that a Four-Year Liquidity Memorandum Account is established and the first Four-Year Anniversary Date attributable to such Four-Year Liquidity Memorandum Account, or between any two successive Four-Year Anniversary Dates attributable to such Four-Year Liquidity Memorandum Account, constitutes a "Four-Year Commitment Period" with respect to such Four-Year Liquidity Memorandum Account.

Four-Year Anniversary Withdrawals may not be made from a Four-Year Liquidity Memorandum Account until the end of the Lock-Up Period applicable to such Four-Year Liquidity Memorandum Account.

As in the case of Annual Liquidity Memorandum Accounts, Four-Year Liquidity Memorandum Accounts established by Capital Contributions made by the same Member at different times may have different Four-Year Anniversary Dates and will have different Lock-Up Periods.

SUMMARY

(cont.)

**Quarterly Withdrawal Provisions for
Annual Liquidity Interests and Four-Year Liquidity Interests**

**Quarterly
Withdrawals:
The Gate**

Subject to the Lock-Up Period applicable to all Post-January 2006 Interests, upon at least forty-five (45) days' written notice to the Fund, a Member may make a Withdrawal from an Annual Liquidity Memorandum Account (an "Annual Liquidity Quarterly Withdrawal") or a Four-Year Liquidity Memorandum Account (a "Four-Year Liquidity Quarterly Withdrawal" and, together with any Annual Liquidity Quarterly Withdrawals, a "Quarterly Withdrawal") as of any January 31, April 30, July 31 and October 31 (each a "Quarterly Withdrawal Date"), subject to a "Gate" restricting the aggregate Quarterly Withdrawals of both Classes as of any Quarterly Withdrawal Date to *the sum of* (i) 7.5% of the aggregate Gross Asset Value of all outstanding Interests (for the avoidance of doubt, not including Designated Investment Interests or Interests held by the Manager), *and* (ii) any Capital Contributions (other than "Offsetting Capital Contributions," as described below) received by the Fund as of the beginning of the month immediately following such Quarterly Withdrawal Date, *minus* (iii) *the sum of* any Anniversary Withdrawals and Four-Year Anniversary Withdrawals made as of such Quarterly Withdrawal Date.

In the event that *the sum of* (i) the aggregate Quarterly Withdrawals of both Classes *and* (ii) the aggregate Anniversary Withdrawals and Four-Year Anniversary Withdrawals as of any Quarterly Withdrawal Date exceeds the Gate, the Anniversary Withdrawals and Four-Year Anniversary Withdrawals will be paid in full and the Quarterly Withdrawals will be permitted only to the extent of the positive difference (if any) between the Gate and the aggregate of all Anniversary Withdrawals and Four-Year Anniversary Withdrawals then made.

The Quarterly Withdrawals permitted under the Gate will be allocated *pro rata* among all of the Members requesting Quarterly Withdrawals as of the applicable Quarterly Withdrawal Date *pro rata* in accordance with such Members' respective Proportionate Shares of both Classes combined, without distinguishing between the Classes (for the avoidance of doubt, not including Designated Investment Interests and without giving effect to any Withdrawals — Anniversary or Quarterly — requested as of such Quarterly Withdrawal Date), not based on the amount of their respective Quarterly Withdrawal Requests.

**Annual Liquidity
Quarterly Withdrawal
Fee**

All Annual Liquidity Quarterly Withdrawals are subject to a Quarterly Withdrawal Fee of 2.5% of the net amount Withdrawn from the applicable Annual Liquidity Memorandum Account, payable to the Fund.

SUMMARY

(cont.)

**Four-Year Liquidity
Quarterly Withdrawal
Fee**

Four-Year Liquidity Interests are subject to Quarterly Withdrawal Fees which vary depending on how long after the commencement of the current Four-Year Commitment Period applicable to a Four-Year Liquidity Memorandum Account the related Quarterly Withdrawals are made. The Quarterly Withdrawal Fee, payable to the Fund, with respect to Four-Year Liquidity Interests is 10.0% through the end of the first 13 months of each applicable Four-Year Commitment Period, 7.5% through the end of the next 13 months, 5.0% through the end of the next 13 months and 2.5% for the remaining period until the Four-Year Anniversary Date ending such Four-Year Commitment Period, in each case of the net amount Withdrawn from the applicable Four-Year Liquidity Memorandum Account(s).

**Offsetting Capital
Contributions**

Neither the Gate nor any Quarterly Withdrawal Fees apply to a Quarterly Withdrawal made by a Member to the extent that such Quarterly Withdrawal is offset by Capital Contributions from such Member or any Related Investor (each such Capital Contribution, an "Offsetting Capital Contribution") accepted by the Fund (or, if the Manager so determines, by another Manager Client that invests all or a portion of its capital in the Master Fund and/or one or more Trading Vehicles) effective as of the beginning of the Accounting Period ending with, or as of the beginning of either of the two Accounting Periods immediately following, the proposed Quarterly Withdrawal Date.

Members are required to notify the Fund on a timely basis of the amount and date of any Offsetting Capital Contribution(s).

Withdrawals cannot be made from Post-January 2006 Memorandum Accounts on the basis of Offsetting Capital Contributions prior to the end of the Lock-Up Periods applicable to such Memorandum Accounts.

Quarterly Withdrawals from Four-Year Liquidity Interests may only be offset against Offsetting Capital Contributions which establish Four-Year Liquidity Memorandum Accounts.

If an Offsetting Capital Contribution was to be received prior to the beginning of the Accounting Period immediately following the proposed Quarterly Withdrawal Date but is not timely received, the Withdrawing Member will not be entitled to the benefits of such Offsetting Capital Contribution and such Member's Quarterly Withdrawal will be subject to the Gate and the Quarterly Withdrawal Fee, unless an executed Subscription Agreement, identified by such Withdrawing Member, as well as by the Related Investor submitting such Capital Contribution, as an Offsetting Capital Contribution, is received by the Fund no later than such Quarterly Withdrawal Date. Such Withdrawing Member will also be liable for any costs or expenses incurred in connection with such defaulted Offsetting Capital Contribution.

SUMMARY

(cont.)

Offsetting Capital Contributions (cont.)

If an Offsetting Capital Contribution was to be received as of the first business day of either of the two Accounting Periods immediately following a Quarterly Withdrawal Date, then 10% of the Withdrawal proceeds will be retained pending receipt of such Offsetting Capital Contribution. If such Offsetting Capital Contribution is not received by the end of the fifth (5th) business day of the applicable Accounting Period, the 10% of Withdrawal proceeds so retained will be kept by the Fund as liquidated damages for such Quarterly Withdrawal having been excepted from both the Quarterly Withdrawal Fee and the Gate.

The Manager may determine, but will be under no obligation, to accept as an Offsetting Capital Contribution a Capital Contribution which is not timely received if the Manager determines that the delay was due to circumstances beyond the control of the investor submitting such Offsetting Capital Contribution.

Annual Appreciation Withdrawals for Annual Liquidity Interests

Annual Liquidity Annual Appreciation May Be Withdrawn Each December 31

Subject to any applicable Lock-Up Period, upon written notice to the Fund not later than November 15, a Member may make Withdrawals (an "Annual Appreciation Withdrawal"), as of the following December 31, from such Member's Annual Liquidity Memorandum Account(s) in an amount not in excess of the estimated cumulative net increase (other than increases attributable to additional Capital Contributions) in the Gross Asset Value of such Member's Annual Liquidity Interest during the Fiscal Year then ended (reduced, but not below \$0, by all Withdrawals from Annual Liquidity Memorandum Accounts previously made by such Member during such Fiscal Year).

Annual Appreciation Withdrawals are not subject to any Withdrawal fee.

Appreciation attributable to Annual Liquidity Interests with respect to a given Fiscal Year which is not Withdrawn as of the end of such Fiscal Year is not subsequently eligible for Annual Appreciation Withdrawals.

Annual Appreciation Withdrawals may not be made with respect to Four-Year Liquidity Interests, and Appreciation attributable to a Member's Four-Year Liquidity Interest cannot be the basis for Annual Appreciation Withdrawals of such Member's Annual Liquidity Interest.

SUMMARY
(cont.)

Payment and Postponement of Withdrawals

Payment of Withdrawals	Withdrawal proceeds will generally be paid within thirty (30) days of the applicable Effective Date, unless a Member Withdraws 90% or more of such Member's Capital Account (not including Designated Investment Interests), in which case the Fund may, but will have no obligation to, retain up to 10% of the estimated Withdrawal proceeds otherwise due until completion of the Fund's audit for the then-current Fiscal Year. The amount so retained will be credited with interest at one-month LIBOR from the end of the calendar month following the Effective Date of such Withdrawal until paid.
Postponing the Determination of Net Asset Value	The Manager may postpone an Accounting Date, and with it the determination of Net Asset Value, in the event that the Manager determines that a material portion of the Investment Assets held by the Fund (other than Designated Investments) cannot be valued.
Postponing Withdrawals	The Manager will postpone the Effective Date of Withdrawals if the applicable Accounting Date has been postponed, or the Manager determines that not postponing such Effective Date would materially adversely affect the continuing Members and in certain other circumstances.
Postponing Payment of Withdrawals	The Manager may postpone the payment of Withdrawal proceeds if, among other things, the Manager determines that making such payment would result in a violation of Law or a contractual provision or liquidating Investment Assets to fund such payment would materially adversely affect the continuing Members.
Similar Treatment for All Interests	If an Accounting Date, the Effective Date of Withdrawals and/or the payment of Withdrawal proceeds is postponed with respect to any Interest, it will be postponed for all Interests.
Distributions	The Fund may make Distributions from time to time, but has not done so to date. Distributions need not be paid <i>pro rata</i> in accordance with Members' respective Capital Account balances, or <i>pro rata</i> among an individual Member's Memorandum Accounts of either Class of Interests.
Tax Distributions	Income taxes paid or withheld by the Fund in respect of income or gain allocable to a Member will not be treated as an expense of the Fund but rather will be treated as a Distribution to such Member.
Transfers	No Transfers will be registered without the consent of the Manager and the execution and delivery by the Transferee of a Subscription Agreement (or other written instrument satisfactory to and accepted by the Fund).

SUMMARY (cont.)

Transfers (cont.)

Post-January 2006 Interests generally may not be Transferred prior to the end of the applicable Lock-Up Period (unless the Manager determines that such Transfer would not result in an Impermissible Event).

Interests Transferred on or after February 1, 2006 will generally be subject to the same Lock-Up Period in the hands of the Transferee as if such Interests had initially been issued as of the date of Transfer.

Annual Liquidity Interests or Four-Year Liquidity Interests when Transferred remain Annual Liquidity Interests or Four-Year Liquidity Interests, as the case may be, in the hands of the Transferee.

Exchanges Between Classes

Exchanges Permitted as of Anniversary Dates or Four-Year Anniversary Dates

A Member may, with the consent of the Fund, exchange all or a portion of an Annual Liquidity Memorandum Account for a Four-Year Liquidity Memorandum Account and *vice versa* as of the same dates and upon the same notice that such Member could make Anniversary Withdrawals or Four-Year Anniversary Withdrawals, as the case may be, from the Memorandum Account out of which the exchange is being made.

Exchanges Treated as Withdrawals/Capital Contributions

Exchanges are treated as Withdrawals from the Class out of which, and new Capital Contributions into the Class into which, the exchange is made (e.g., causing a Profit Allocation to be made upon the Withdrawal, and a new Lock-Up Period to begin upon the Capital Contribution).

Designated Investments; Special Allocations

Designated Investments

From time to time, the Manager may determine at or within thirty (30) days of the date that a given investment is made that such investment should be designated as a Designated Investment. Only persons who are Members (other than DI Opt-Out Members, as described below) as of the first day of the calendar month during which such Designated Investment is so designated will be issued separate Designated Investment Interests (a separate Class of Interests) in respect of each such Designated Investment, and such Members will retain such Designated Investment Interests (tracked as Annual Liquidity Interests and/or Four-Year Liquidity Interests, as the case may be), whether or not such Members have otherwise Withdrawn all of their Interest, until such Designated Investment is either liquidated or its underlying assets are returned (in whole or in part) to the Fund's General Portfolio, in the discretion of the Manager, following the occurrence of a Liquidity Event with respect to such Designated Investment.

Manager Allocations and Profit Allocations are calculated separately with respect to each Designated Investment.

SUMMARY
(cont.)

**Designated
Investments (cont.)**

The aggregate issuance price of a Member's Designated Investment Interests may not exceed 15% of the Gross Asset Value (including in such Gross Asset Value the Designated Investment Interests attributable to such Member's Annual Liquidity Interest valued at cost) of such Member's Annual Liquidity Interest (unless such Member specifies a higher percentage, not to exceed 30%, in such Member's Subscription Agreement), and the aggregate issuance price of a Member's Four-Year Liquidity Designated Investment Interests may not exceed 30% of the Gross Asset Value (including in such Gross Asset Value the Designated Investment Interests attributable to such Member's Four-Year Liquidity Interest valued at cost) of such Member's Four-Year Liquidity Interest (the "Designated Investment Ceiling"). The Designated Investment Ceiling for Pre-February 2006 Annual Liquidity Interests is 10%, rather than 15%.

If a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, the Designated Investment Ceiling applicable to such Member's Interest of each Class is calculated separately.

Members may not opt out of participating in Designated Investments with respect to Four-Year Liquidity Interests.

A Member may opt-out of participating in Designated Investments with respect to such Member's Annual Liquidity Interest. A Member wishing to do so must so indicate in such Member's initial Subscription Agreement for an Annual Liquidity Interest.

A Member which is not a DI Opt-Out Member with respect to any of such Member's Annual Liquidity Memorandum Accounts cannot become a DI Opt-Out Member with respect to any Memorandum Account established with respect to any additional Annual Liquidity Capital Contributions made by such Member.

Each Member holding an Annual Liquidity Interest as a DI Opt-Out Member may irrevocably elect not to be a DI Opt-Out Member with respect to such Annual Liquidity Interest (but only with respect to all of such Member's Annual Liquidity Interest) as to all future Designated Investments by so notifying the Fund.

While no Member may be a DI Opt-Out Member with respect to such Member's Four-Year Liquidity Interest, a Member which has opted-out of participating in Designated Investments with respect to such Member's Annual Liquidity Interest is not precluded from investing in a Four-Year Liquidity Interest.

SUMMARY (cont.)

Designated Investments (cont.)

The net liquidation proceeds and/or the fair value of the underlying assets of a Designated Investment, when returned to the General Portfolio, will be subject to the remaining Lock-Up Period that would have been attributable to the Memorandum Account balances from which the capital allocations to such Designated Investment were originally made, unless the Manager determines that it is necessary to treat such net liquidation proceeds or underlying assets as new Capital Contributions (i.e., resulting in the issuance of Post-January 2006 Interests subject to a Lock-Up Period) under the Hedge Fund Advisers Registration Rule.

See "Financial and Tax Allocations; Expenses — Designated Investments" and "Net Asset Value; Designated Investments — Designated Investments."

Special Allocations

Certain Members may be prohibited by Law, tax or other considerations from participating in the profits and losses attributable to certain Investment Assets. The Fund may acquire such Investment Assets on behalf of those Members which can participate in such profits and losses, making a Special Allocation of such profits and losses to such Members but not to those Members prohibited from participating in such profits and losses.

Amaranth may, in its discretion, allocate certain investments, including certain Designated Investments, solely to investors in other Manager Clients or Trading Vehicles, or to Members holding certain Classes of Interests, so that such investments are made by the investors in such other Manager Clients or Trading Vehicles or by those Members which can participate in such investments in light of the relative capacity of the Fund, the other Manager Clients, the Trading Vehicles and the other Members to make specific investments and the potential consequences of such investments to the foregoing, taking into account Law, tax or other considerations.

Special Allocations are made only if the Manager believes that such allocations are, or reasonably could be determined to be, required by Law, tax or other considerations.

Members' Representative

Members' Representative

A Members' Representative — currently, Arthur F. Bell & Associates, L.L.C., an independent public accountant — has been retained as a means of providing (or withholding) the investor consent required for the Fund to enter into certain transactions which would otherwise be impermissible due to the conflicts of interest involved (for example, the sale of a position held by the Fund to another Manager Client). The Members' Representative acts in the same capacity for other Manager Clients. All Members, by subscribing for Interests, consent to the Members' Representative having such authority. *See "Conflicts of Interest."*

SUMMARY
(cont.)

General

Office	Amaranth's principal office is located at One American Lane, Greenwich, Connecticut 06831; telephone number (203) 422-3300.
Fiscal Year	The Fiscal Year of the Fund is the calendar year.
Auditors	Ernst & Young LLP.
Counsel	Sidley Austin LLP acts as legal counsel to Amaranth.
Reports	<p>The Fund sends to each Member, on a monthly basis, estimates of the Fund's performance and of the increase or decrease in the Net Asset Value of such Member's Capital Account (separately reporting the performance of such Member's Annual Liquidity Interest and Four-Year Liquidity Interest in the case of any Member that holds both Classes of Interests) during the preceding month, as well as such other information as the Manager may deem appropriate.</p> <p>Members receive audited annual financial statements.</p>
Tax Status	<p>The Master Fund's operations are managed with the objective that the Master Fund will not be subject to federal income taxation in respect of its trading activities. However, certain trading activities of the Fund and/or the Master Fund and certain investments managed by Third-Party Managers may be subject to taxation in other jurisdictions. <i>See "Risk Factors — Regulatory and Tax Risks — The Fund and/or the Master Fund Could be Subject to Net Income Tax in Certain Jurisdictions."</i></p> <p>Members may be required to make a "tax shelter" notice filing relating to their investment in the Fund together with their annual tax returns.</p>

Suitability/Risk Factors

Suitability	All prospective investors, either individually or together with their professional advisers, must have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund.
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SUMMARY (cont.)

Risk Factors

The Interests are a speculative and illiquid investment. Investors must be prepared to lose all or substantially all of their investment in the Fund. In addition to the risks associated with the Fund's complex and leveraged trading strategies, the risks associated with an investment in the Fund include: (1) market risk; (2) valuation risk; (3) liquidity and position duration risk; (4) the risk of being unable to Withdraw Post-January 2006 Interests prior to the end of the applicable Lock-Up Period; (5) the risk of being unable to make Annual Appreciation Withdrawals of Four-Year Liquidity Interests and of the material Quarterly Withdrawal Fees applicable to Four-Year Liquidity Interests; (6) the risk of differential Withdrawal rights in general; (7) portfolio concentration risk; (8) operational risk; (9) legal risk; (10) documentation risk; (11) systemic risk; (12) credit risk; and (13) settlement risk.

Any person subscribing for Interests must be able to bear the risks involved and must meet the Fund's suitability requirements. Certain or all "alternative" investment programs may not be suitable for certain investors. No assurance can be given that the Fund's investment objective will be achieved, and the Fund's past results are not necessarily indicative of its future performance. Among the risks which prospective investors should note are the following:

- The Fund is speculative and involves a substantial degree of risk.
- The Fund trades with a high degree of leverage.
- The Fund's performance may be volatile.
- Amaranth has trading authority over the Fund, and the Fund is dependent upon the services of Amaranth. The use of a single manager results in a lack of diversification and, consequently, higher risk.
- The Fund is committing an increasing percentage of its capital to Third-Party Managers, Third-Party Ventures and Longer-Term Investments.
- Amaranth may be limited in its ability to monitor and value the Fund's Third-Party Ventures.
- The Fund may make investments in emerging markets, which can present unique risks.
- There is no secondary market for the Interests and none is expected to develop.

SUMMARY
(cont.)

Risk Factors (cont.)

- The Interests are not freely transferable and are subject to restrictive Withdrawal provisions.
- In certain circumstances, the Post-January 2006 Interests could be materially and adversely affected as a result of being subject to an initial Lock-Up Period which is not applicable to Pre-February 2006 Interests.
- The risk of investing in the Four-Year Liquidity Interests is materially greater than that of investing in the Annual Liquidity Interests, due to the materially more restrictive Withdrawal provisions applicable to the Four-Year Liquidity Interests.
- The Fund is subject to substantial (and potentially layered) fees and expenses, including fees and expenses payable to Third-Party Managers and with respect to Third-Party Ventures. Certain Allocable Expenses paid by the Fund will not benefit the Fund and will benefit other Manager Clients and/or Manager Parties.
- The Fund is subject to conflicts of interest.
- The Fund is not subject to the same regulatory requirements as U.S. registered mutual funds.
- While affiliates of Amaranth are registered with the FSA and the OSC and Amaranth reserves the right to register as an "investment adviser" with the SEC in the future, until such time, if ever, as Amaranth registers with the SEC, Amaranth will not be subject to the same regulatory requirements as U.S. registered investment advisers.

SEE "RISK FACTORS" AND "CONFLICTS OF INTEREST."

THE FUND'S INVESTMENT OBJECTIVE AND STRATEGIES

Investment Objective

The investment objective of the Fund is superior risk-adjusted returns. The Fund employs a diverse group of trading strategies, trading a broad range of equity and debt securities, commodities, derivatives and other financial instruments on a global basis. In managing the Fund's portfolio, Amaranth opportunistically employs a wide range of relative value, event-driven, directional, hybrid and other strategies. There are no material limitations on the instruments, strategies, markets or countries in which the Fund may invest. *The Fund's investments and strategies involve significant risks. There can be no assurance that the Fund will meet its objective or avoid substantial losses. See "Risk Factors."*

Investment Strategies

The Fund currently invests a substantial portion of its capital in the Master Fund. However, the Fund retains the discretion to invest directly in Trading Vehicles, in Third-Party Ventures and/or with Third-Party Managers, as well as to acquire Investment Assets directly, and may in the future commit a material portion of its portfolio to Longer-Term Investments.

The following are summary descriptions of certain of the strategies employed by Amaranth in directing the Master Fund's trading and investing.

General

Among the principal strategies implemented by the Fund are: convertible arbitrage, merger arbitrage, equity long/short investing, statistical arbitrage, energy trading, commodities trading, options arbitrage and credit arbitrage.

The Fund trades globally in a broad range of equity and debt securities, derivatives and other financial instruments. These instruments may include, for example, common and preferred stocks, bonds, commodities, loans, trade claims, bank deposits and currencies, as well as futures, forwards, swaps (including commodity swaps, interest rate swaps, credit default swaps and asset swaps) and options (including options on stocks, bonds, commodities, credit default swaps and interest rate swaps).

Asset allocations among strategies are based on Amaranth's ongoing analysis of prevailing market conditions. The Fund does not focus on, nor is its trading limited to, any geographic area, industry sector, issuer credit rating or issuer market capitalization level. The Fund is not subject to any formal diversification requirements, and the Fund's portfolio may, from time to time, be concentrated in a limited number of positions or strategies.

The Fund's strategies can, generally, be separated into three categories: relative value, event-driven and directional. There are no clear dividing lines among these categories, and any strategy employed by the Fund may be cross-categorized to the extent its guiding logic is multidisciplinary. There is no material limitation on the strategies which the Fund may implement (either directly or through investments in Third-Party Ventures and allocations to Third-Party Managers).

Relative Value Strategies

Relative value strategies seek to profit from the relative mispricing of related assets: for example, convertible bonds and the common stock underlying the conversion option, other options and futures and their underlying reference assets, debt instruments of the same issuer or of different issuers (including credit default swaps on the issuer(s)) with different maturities or yields, and the common stock of different issuers in the same industry sector. These strategies may be highly quantitative and based on theoretical or historical pricing relationships. Because they focus on capturing value from the relative mispricing of related assets, relative value strategies can generate returns independent of overall movements in the global level of debt or equity prices, although many of these strategies in fact are constructed with a long or short equity or debt bias. Because the mispricings that these strategies exploit tend to be small in absolute terms, these strategies frequently use leverage (which could be substantial) in an attempt to increase returns. The use of leverage creates risks of “credit squeezes” and the adverse effects of discretionary margin increases by dealers and counterparties to which many strategies are not subject.

Few relative value strategies involve pure arbitrage, in which a profit will inevitably be recognized if the position can be held until maturity (for example, taking positions based on mispricings between a stock index futures contracts and the underlying stock index, each of which necessarily will have the same value at the expiration of the futures contracts). Moreover, it is typical of relative value strategies not to, and the Fund does not, hedge all the risks of each strategy, and certain risks cannot be effectively hedged. Relative value strategies are all (even in the case of pure arbitrage) subject to the fundamental risk that aberrational market prices, even if correctly identified, will not revert to fair value during the period that the Fund is able to maintain its positions.

Event-Driven Strategies

Event-driven strategies concentrate on the profit potential created by major corporate events: for example, mergers, acquisitions, restructurings, bankruptcies, liquidations, regulatory or legal developments and other events. Unlike relative value strategies, which emphasize the (often theoretically compelled) quantitative relationship among different but related assets, event-driven strategies are highly issuer- and transaction-specific and rely more on fundamental research and judgment than on mathematical precision. Positions are taken which will be profitable if a particular event comes to pass, while a variety of techniques are used to mitigate the risk that the event does not happen. The uncertainty associated with the event is not quantifiable in the same sense as a deviation between a theoretical and an actual price level, which creates an added dimension of risk.

Event-driven strategies are dependent on market conditions conducive to major corporate events. For example, the probability of a merger being consummated is generally higher during a “bull” market. A basic distinction among event-driven strategies is whether a position will be established prior to, or only after, the announcement of a proposed transaction. “Pre-announcement” event-driven investing involves not only the risk of eventual non-consummation but also the risk that the anticipated “event” will never be announced. In the case of merger arbitrage, the Fund may, but generally does not, engage in “pre-announcement” strategies.

Directional Strategies

Directional strategies attempt to predict absolute movements in the prices of equities, debt instruments or other assets. Price forecasting may be based on fundamental analysis of an issuer or industry (which may be based on subjective evaluation of the strength of management, the prospects for the business or other factors), specific expertise in a particular technological or scientific niche, quantitative analysis of value indicators (such as price/earnings ratios, “free cash flow” and EBITDA), econometric models in which issuers are treated as fungible, or other fundamental or technical analysis appropriate to a particular situation. Although diverse in their methods, these strategies have in common that they attempt to predict future prices based not on relative mispricing or on the happening of a particular event that will itself define value, but rather on the belief that the market will come to realize the “fair” value of an asset. These strategies are subject to the risk that the traders will have incorrectly identified fair value or that such fair value will not be reflected in market value within the time horizon of the strategy.

Although certain directional strategies — for example, buying growth equities — are largely dependent on overall market movements, others attempt to reduce the impact of market conditions by establishing both long and short positions. While such “beta neutral” or “beta reduced” strategies may, to a certain extent, be characterized as relative value strategies, the hallmark of these strategies is the identification of assets which Amaranth believes the market will revalue, and the elimination through hedging of the factors which may cause the market not to do so.

Hybrid and Other Strategies

The alternative investment field has, in recent years, seen a proliferation of new strategies and techniques as well as of instruments available for trading. The relative value, event-driven and directional strategy categories are generally adequate to characterize the currently active strategies employed by Amaranth and others, but these categories may not be sufficient to describe all techniques currently employed, or new techniques which may be employed, by Amaranth on behalf of the Fund. Amaranth will implement strategies incorporating elements of relative value, event-driven and directional approaches, as well as such other opportunistic investment tactics, as Amaranth may consider advantageous from time to time.

Illustrative Trading Strategies and Techniques

Certain of the specific trading techniques that have historically been used for the Fund are outlined below for illustrative purposes. The following does not purport to be a complete list of all trading strategies employed, and certain of the Fund’s trades may involve a combination of, or a departure from, these strategies. At different times, the Fund may employ certain, all or none of the following strategies, and the Fund may also employ numerous other trading techniques, including strategies involving materially higher levels of risk than any of the following strategies:

- Convertible-Securities Arbitrage: Buying “long” a convertible security and selling “short” the underlying stock into which the convertible security may be converted and/or another of the issuer’s debt instruments (or a credit default swap on the issuer) in anticipation of profiting from a relative mispricing among them.
- Merger Arbitrage: Investing in the securities of publicly-traded companies involved in prospective mergers or corporate combinations, acquisitions, cash tender offers, exchange offers or corporate recapitalizations in the expectation of profiting from the difference

between the price of such securities at the inception of the investment and the price of such securities in expectation of or upon consummation of particular events.

- Long/Short Trading: Buying “long” a stock or basket of stocks and selling “short” a stock or basket of stocks in anticipation of profiting from changes in the price differential between the respective long and short positions. The Fund’s long/short investing currently is practiced in the following sectors: consumer, cyclicals, financial services, health care, insurance, REITs, technology, utilities and a Canadian portfolio comprising multiple Canadian sectors managed by Amaranth’s portfolio manager in Toronto, Canada.
- Energy and Metals Trading: Typically involves taking positions in securities, commodities (both in physical form and through futures contracts or forward trading), assets and derivatives whose values depend on the global production, storage and inventory, distribution and consumption of energy and metals. For example, positions may relate to the prices for future delivery of petroleum products (e.g., crude oil, heating oil and fuel oil), natural gas, electricity and metals (e.g., copper, aluminum, zinc, nickel and lead) at various locations and/or changes in the price relationship between related commodities, for example, crude oil and refined gasoline. Trading in physical commodities generally involves considerations (such as storage, insurance and, in the case of energy assets, pollution control) that are not applicable to the futures or forward trading of the same commodities.
- Statistical Arbitrage: One form of statistical arbitrage used by the Fund is buying “long” a security (or basket of securities) and selling “short” a related security, option, or futures contract (or basket of securities, options or futures) in order to capitalize on financial market anomalies that occur when the relative prices of such securities, options or futures deviate from their historical relationship in anticipation of profiting from a reversion in the prices of such securities, options or futures to their historical relationship.
- Capital-Structure Arbitrage and Other Credit-Related Strategies: Capital-structure arbitrage involves buying “long” and selling “short” different classes of securities of the same issuer in anticipation of profiting from a relative mispricing among them. One particular form of capital-structure arbitrage involves buying “long” a fixed-income security of an issuer and entering into a credit default swap, which calls for payment to the Fund of the principal amount of the fixed-income security against that security’s delivery in the event that the issuer suffers a “credit event” (essentially, an event tantamount to default on its debt). Another form of capital-structure arbitrage involves buying “long” an issuer’s equity and selling “short” that issuer’s debt, based on the determination that the equity is underpriced relative to the debt.

Other credit-related strategies take various different forms, including (but not limited to) buying and selling different credit-sensitive instruments relating to one issuer, selling “short” bonds of an issuer subject to potential credit deterioration, and buying distressed and high-yield securities offering favorable return profiles.

- Warrant/Option Arbitrage: Buying “long” a warrant (or similar derivative) and selling “short” the stock purchasable upon exercise of the warrant in anticipation of profiting from a relative mispricing between them.

- Directional Equity and Corporate Debt: Trading in equity or corporate debt instruments using technical or fundamental analysis or a combination thereof in anticipation of profiting from movements in the prices of these assets. Such investments may be concentrated in specific industry sectors and may include short- or long-term investments (including Longer-Term Investments), as well as investments in investment grade or distressed debt or equity.

Examples of other types of trading strategies include purchasing equity securities in companies that are being privatized in order to profit from an increase in the price of such securities, currency and commodities trading and energy trading and arbitrage.

The Fund may trade derivatives (including commodity and credit-related derivatives trading) both for hedging and for investment purposes.

Any number of variations on the foregoing, or any other, strategies may be implemented. For example, instead of selling stock "short," the Fund may sell "short" stock futures or other instruments expected to act in a manner similar to stock. In addition, as related opportunities arise, the Fund may take inverse positions to the ones described above (e.g., going "short" a convertible bond and "long" the underlying stock when the price relationship of such securities warrants).

Private Companies

The Fund may commit capital to private companies on a global basis, including to companies located in emerging markets. Certain of such private companies may be in the developmental stage and others of which may be more mature but may not have access to the public capital markets. The success of these investments is typically dependent not only upon the successful management of such companies, but also upon Amaranth's ability to engineer effective "exit strategies" in order to realize any enterprise value created. Amaranth's trading and investing expertise assists Amaranth in implementing such "exit strategies" as well as in hedging the Fund's risks while committed to a less liquid position in a private company.

Third-Party Ventures

The Fund may invest in Trading Vehicles controlled by Amaranth and may co-invest together with other investment advisers in entities whose portfolios and strategies are determined by a collaborative decision-making process.

In addition, the Fund may invest capital with Third-Party Managers and/or participate in Third-Party Ventures as a passive investor in situations in which Amaranth determines that doing so complements Amaranth's expertise and/or enhances the Fund's ability to access specific investment opportunities. Amaranth's determination to enter into such investments will be based upon Amaranth's assessment of the potential risk and return of each such investment. Amaranth may negotiate for the Fund to receive special rights, such as transparency rights, liquidity rights and/or reduced fees; however, not all Third-Party Ventures may include these types of terms. Amaranth's investments in certain Third-Party Ventures may be made on the same basis as by any other passive investor.

Longer-Term Investments

Generally, the instruments in which the Fund invests are publicly-traded, although from time to time the Fund purchases securities, including non-publicly traded securities, in private transactions. Such investments may be subject to regulatory limitations on resale, including holding requirements of one to two years, during which period the Fund may be limited in its ability to liquidate such investments. The Fund may invest a material portion of its portfolio in Longer-Term Investments. The Fund's focus on Longer-Term Investments has increased as the Fund has identified attractive investment opportunities outside the market for traditional, liquid investments, and the amount of capital allocated to such investments may continue to increase in response to market conditions and unique opportunities. Longer-Term Investments and other illiquid investments may be structured with multi-year holding requirements and may have no readily-ascertainable market value.

Emerging Markets

The Fund may invest in countries that are considered to be "emerging markets," which may include making investments in countries such as, for example, China, India, Indonesia, Korea, Macau, Russia, Singapore, South Africa, Sri Lanka, countries in Latin America and countries in the Middle East (including, but not limited to, Bangladesh, Egypt, Jordan, Kuwait, Morocco, Pakistan, Qatar, Turkey and the United Arab Emirates). These investments present unique risks, including government instability, political risk, changes in governmental administration, policy and regulation, including the risk of imposition of currency controls, enforcement risk, expropriation risk, the potential inability to hedge market risk and other risks relating to a developing legal and regulatory framework, limited disclosure and access to information from issuers relative to what is customary in the U.S. and risks relating to the application of various laws and regulations, including anti-money laundering laws and non-U.S. tax laws.

Evolving Strategies and Allocations

Amaranth anticipates that it will continue to develop and implement new proprietary trading and investment strategies and identify new Third-Party Managers and/or Third-Party Ventures, as Amaranth seeks to exploit profit and investment opportunities on a global basis. Amaranth anticipates that, over time, the Fund's portfolio may differ materially from the Fund's portfolio to date.

There are no material restrictions on the strategies, leverage or markets which may be incorporated into the Fund's portfolio or the percentage of the Fund's assets that may be committed to any particular strategy type, market or instrument. The composition of the Fund's portfolio, as well as the liquidity profile and expected position duration of such portfolio, can be expected to change materially over time, as the strategies implemented by Amaranth continue to evolve.

Risk Management

Risk management is integral to Amaranth's goal of identifying investment opportunities having superior risk/reward parameters. Amaranth monitors the risk parameters and expected volatility of the Fund's overall portfolio and attempts to prevent over-concentration of the portfolio in any particular investment asset, strategy or market. However, Amaranth does not, in general, attempt to hedge all market or other risks inherent in the Fund's portfolio, and hedges

certain risks, if at all, only partially. Specifically, Amaranth may determine that it is economically unattractive, or otherwise undesirable, to hedge certain risks (either with respect to particular positions or the Fund's overall portfolio) and instead rely on diversification to control such risks.

In the case of the Fund's investments with Third-Party Managers and/or in Third-Party Ventures, in certain instances Amaranth may negotiate for specific monitoring and other risk management rights. For example, Amaranth and/or the Fund may have transparency rights that include access to senior management of the Third-Party Manager or Third-Party Venture, access to books and records or other trade-level or position-level details and the right to receive data feeds from the Third-Party Manager or Third-Party Venture that can be incorporated into Amaranth's general risk management systems. Other risk management rights may include special liquidity rights and/or the right to approve specific transactions entered into by the Third-Party Manager or investment partner or to suspend the authority of a Third-Party Manager or investment partner to invest on behalf of the Fund. However, not all Third-Party Ventures may include such rights. In the case of more "passive" Third-Party Ventures as to which Amaranth does not have special rights, the Fund may rely on other methods for managing risk, including, for example, diversification. The amount of capital invested in this manner may increase, possibly materially, over time as market conditions and opportunities merit and may become material.

By investing in the Fund, subscribers are relying on the discretionary, market judgment of Amaranth, trading in a wide range of strategies and markets, as well as in investing in positions with a wide range of different durations, without being subject to diversification, leverage or any other form of trading policies.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN FINANCIAL, LEGAL AND TAX ADVISERS REGARDING THEIR INDIVIDUAL CIRCUMSTANCES AND THE SUITABILITY OF AN INVESTMENT IN THE FUND.

SEE "RISK FACTORS."

MANAGEMENT

Amaranth

The Chief Executive Officer of Amaranth Group, Amaranth International and the Manager is Nicholas Maounis. Mr. Maounis is the sole shareholder of Amaranth Group and, together with entities controlled by Mr. Maounis, is the majority owner of the Manager and Amaranth International.

Mr. Maounis is the President and Chief Investment Officer of Amaranth, responsible for all investment functions as well as managing the firm. From 1990 until August 2000, Mr. Maounis was a Portfolio Manager for Paloma Partners Management Company and affiliated entities ("PPMC"). In this role, Mr. Maounis was responsible for trading a large convertible arbitrage portfolio and for managing up to 25 traders and assistants employing a variety of investment strategies similar to those utilized by Amaranth. Previously, Mr. Maounis managed U.S. convertible arbitrage portfolios for PPMC (1990-1992), Angelo Gordon & Co. (1989-1990) and LF Rothschild, Unterberg, Towbin (1985-1989), where he was a senior vice-president in charge of all convertible-arbitrage trading. Mr. Maounis graduated from the University of Connecticut in 1985 with a Bachelor of Science degree in Finance.

Other principal Amaranth personnel include:

Gregg Felton — Gregg Felton is the Portfolio Manager for the credit trading portfolio and the Senior Credit Manager for the convertible portfolio at Amaranth. Prior to his present position, he served in similar roles for PPMC. Before joining PPMC, Mr. Felton was a Vice President at The Chase Manhattan Bank; from 1997 to March 2000, he co-managed its Special Situations Fund (a distressed investment vehicle). Prior to that, Mr. Felton worked in the High Yield Finance Department of Chase's Global Investment Bank. Mr. Felton received a joint Juris Doctor/Master in Business Administration from Georgetown University Law Center/School of Business as well as a Bachelor of Arts in Economics from Tufts University.

Robert Jones — Robert Jones serves as Amaranth's Chief Risk Officer. After graduating from Harvard College (1984 *cum laude* in Economics), Mr. Jones joined Fischer Black's group at Goldman, Sachs & Co. to develop proprietary arbitrage strategies and risk-limited portfolio management techniques. After co-authoring two papers with Dr. Black, Mr. Jones joined Goldman's equity arbitrage trading unit to run a listed and OTC derivatives book. In 1988, NYSE Chairman John Phelan invited Mr. Jones to assist him in evaluating and addressing operational risks exposed during the 1987 crash. In 1989, Mr. Jones joined PPMC where he managed an international derivative arbitrage portfolio. He and Mr. Maounis worked together for four years managing arbitrage portfolios for the private investment funds associated with PPMC. Prior to joining Amaranth in September 2001, Mr. Jones led Stradivarius Capital, a firm he founded to help quantitatively-oriented hedge funds to identify and manage sources of performance uncertainty.

Rick Solomon — Rick Solomon is the Portfolio Manager for the global convertibles (excluding Canada) portfolio at Amaranth. From 1998 to August 2000, he managed a U.S. convertible portfolio and a long/short technology portfolio for PPMC. Mr. Solomon began his investment career in 1983 with Wechsler and Co. There he was a Director and Executive Vice President and managed the convertible trading and arbitrage portfolios until 1998. Mr. Solomon graduated from Emory University in 1983 with a Bachelor of Science in Business Administration.

Manos Vourkoutiotis — Manos Vourkoutiotis is the Portfolio Manager for the Canadian products and mandatory convertible securities portfolios at Amaranth. He managed similar portfolios for PPMC from 1998 until August 2000. Mr. Vourkoutiotis began his career in 1991 at RBC Dominion Securities, where he traded convertible securities for their equity derivatives group until 1993. He was a market maker in convertible securities for Nesbitt Burns from 1993 to 1997. He spent the following year at Gordon Capital, where he created a proprietary desk to trade convertible securities, merger arbitrage and special situations. Mr. Vourkoutiotis received a Bachelor of Commerce and graduated with high distinction in 1991 from the University of Toronto. He is a Chartered Financial Analyst Charterholder.

Charles Winkler — Charles Winkler is the Chief Operating Officer of Amaranth. Mr. Winkler is responsible for managing all of the non-trading aspects of the firm, and in that capacity is responsible for Amaranth's accounting, treasury, administration, compliance, investor relations, legal, marketing, technology, back-office, operations and human resources departments. From 1996 to 2001, Mr. Winkler was Senior Managing Director and Chief Operating Officer for Citadel Investment Group, L.L.C., and was a member of that firm's Management Committee and Chairman of that firm's Operations Committee. Prior to joining Citadel in 1996, Mr. Winkler was a Partner with the Chicago law firm of Neal Gerber & Eisenberg. His 17-year legal practice focused on providing tax and corporate counseling to investment advisers and private investment firms. Mr. Winkler graduated with Highest Honors from Emory University in 1976, receiving a Bachelor's degree in Business Administration, and from Northwestern University School of Law, receiving a Juris Doctor degree in 1979.

Mr. Maounis and other Amaranth personnel have substantial personal investments in the Fund and have exposure to the returns of the Master Fund through deferred compensation arrangements. In addition, Mr. Maounis and other Amaranth personnel have significant personal investments in Amaranth Global Equities LLC, another Manager Client focusing on fundamental long/short equity investing.

The Limited Liability Company Agreement

Pursuant to the Limited Liability Company Agreement, the Manager receives a Manager Allocation and a Profit Allocation. *For more information about the Manager Allocations and Profit Allocations, see "Financial and Tax Allocations; Expenses — Manager Allocations" and "Financial and Tax Allocations; Expenses — Profit Allocations."*

The Limited Liability Company Agreement does not impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities by Amaranth or its principals to the Fund. Amaranth is not obligated to devote any specific amount of time to the affairs of the Fund and is not required to accord exclusivity or priority to the Fund in the case of limited investment opportunities arising from the application of capacity limits or other factors.

Amaranth devotes such time to the affairs of the Fund as Amaranth determines to be necessary or advisable for the conduct of business of the Fund, but also devotes substantial time to managing other investments.

The Limited Liability Company Agreement provides for the indemnification of Amaranth and its officers, directors, managers and employees. *For more information regarding the indemnification provided by the Fund to Amaranth, see "— Standard of Liability; Indemnification," below.*

Advisory Agreements and Regulatory Status of Manager Parties and Amaranth

The Master Fund and certain other Manager Clients have entered into an Amended and Restated Advisory Agreement dated March 23, 2005 (the "Canadian Advisory Agreement") with Amaranth Advisors (Canada) ULC ("Amaranth Advisors Canada") and also have entered into sub-advisory agreements with each of Amaranth Advisors (UK) LLP ("Amaranth Advisors London") and Amaranth Advisors (Singapore) Pte. Ltd. ("Amaranth Advisors Singapore"), as the same may from time to time be amended and/or restated. The aggregate amount of Manager Allocations and Profit Allocations to which the Members are, directly or indirectly, subject is not increased by virtue of the advisory arrangements between the Master Fund and Amaranth Advisors Canada, Amaranth Advisors London and Amaranth Advisors Singapore.

Amaranth Advisors Canada is registered in the category of Investment Counsel and Portfolio Manager and Limited Market Dealer with the OSC. Amaranth Advisors London is authorized with the FSA under Part IV of the U.K. Financial Services and Markets Act 2000. Amaranth Advisors Singapore engages in management and financial advisory activities and securities dealing activities that are incidental to its fund management and financial advisory activities pursuant to an exemption that is based on the nature of its client base.

Amaranth has notified the Fund that it does not intend to register with the SEC as an investment adviser by February 2006, although it reserves the right to register at a later date. Amaranth intends to avail itself of certain exceptions to registration under the Hedge Fund Advisers Registration Rule, including an exception for advisers that impose a twenty-five (25) month minimum investment period on new investments, which is referred to in this Memorandum as the "Lock-Up Period." *Prospective investors must not rely on Amaranth becoming an SEC-registered "investment adviser" in determining whether to invest in the Interests.*

Amaranth Group Inc.

Amaranth Group, an Affiliate of Amaranth, was organized in November 2002 by Mr. Maounis to provide administrative services to the Manager Clients that formerly were supplied by PPMC. Amaranth Group provides administrative, accounting, data processing, research, investment-related, technology and other support services to the Fund.

The Administrative Services Agreement between the Fund and Amaranth Group provides for the indemnification of Amaranth, Amaranth Group, their respective Affiliates, and the respective officers, directors, managers and employees of each of the foregoing.

The Administrative Services Agreement may be terminated (i) at any time by Amaranth Group upon one hundred and twenty (120) days' notice and (ii) by the Fund, only if Amaranth ceases to serve as the Manager of the Fund.

The Master Fund has entered into a substantially similar administrative services agreement with Amaranth Group.

Standard of Liability; Indemnification

The principals, members, directors, officers and employees of Amaranth and Amaranth Group and their respective Affiliates (the "Manager Parties") will not, absent fraud, bad faith, gross negligence or reckless or intentional misconduct on their part, be liable to the Fund or to any Member for any act or omission in the course of, or in connection with, the services rendered

by them for or on behalf of the Fund or for any loss or damage which the Fund may sustain or suffer as the result or in the course of the discharge by the principals, members, directors, officers or employees of the Manager Parties of their duties to the Fund.

In the course of carrying out trading and investing responsibilities on behalf of the Fund, Amaranth personnel may make "trading errors" — *i.e.*, errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an Investment Asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular Investment Asset (and *vice versa*). Trading errors are an intrinsic factor in any complex investment process, and will occur notwithstanding the exercise of due care and special procedures designed to prevent trading errors. Trading errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by Amaranth personnel. Consequently, Amaranth will (unless Amaranth otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Fund, unless they are the result of conduct on the part of Amaranth which is inconsistent with the standard of care set forth in the Material Contracts.

The Manager Parties will not be liable for any tax imposed on the Fund or the Members in any jurisdiction, for any costs incurred in respect of any tax audit or similar procedure or for any tax position taken by Amaranth (to the extent that Amaranth is authorized to take any relevant tax position) which was not clearly contrary to Law when taken.

Amaranth will not bear any liability if a price believed by it to be an accurate valuation of a particular direct or indirect investment of the Fund is subsequently found to be inaccurate.

The Fund has agreed to indemnify each Manager Party as well as certain agents, advisers and consultants of the Fund from and against any loss, cost, expense, liability, fees (including attorneys' fees and expenses) and damages (other than those resulting from fraud, gross negligence or reckless or intentional misconduct on the part of such persons) which may be imposed on, incurred by or asserted against any of them in performing their obligations or duties for or on behalf of the Fund.

The Master Fund is subject to substantially identical liability and indemnification provisions with Amaranth Advisors and Amaranth Group.

The Fund may be required to agree to exculpate and/or indemnify Third-Party Managers and/or investment partners pursuant to the terms of its investments in Third-Party Ventures.

Determinations by Manager Parties

Whenever any Manager Party is to determine or decide any matter relating to the Fund or the Material Contracts, such determination or decision will be in the sole and absolute discretion of such Manager Party and will be conclusive and binding on all Members if made in a manner consistent with the standard of care set forth in the Material Contracts.

FINANCIAL AND TAX ALLOCATIONS; EXPENSES

Financial Allocations of Net Profits and Net Losses

The Manager establishes a separate Capital Account for each Member. Each Capital Account is adjusted to reflect such Member's share of the Fund's net profits or losses, Fund expenses (including Allocable Expenses), allocations to the Manager, Capital Contributions and Withdrawals.

The Fund's net profits and losses are allocated as of the last day of each calendar month among the Members, including the Manager, in proportion to their Capital Account balances at the beginning of such month. Any Profit Allocations are allocated among Members' Capital Accounts in accordance with the Net New Profit allocable to such Capital Accounts — Profit Allocations being calculated separately with respect to a Member's Annual Liquidity Interest and Four-Year Liquidity Interest. Net profits and net losses of the Fund are calculated according to generally accepted accounting principles and include net unrealized profits and losses on securities positions as of the end of each Accounting Period. All calculations of net profits and net losses are made after deducting all general, administrative and other operating expenses of the Fund.

The Fund's net profits and losses are generally also allocated as of the last day of each calendar month among the Annual Liquidity Memorandum Accounts and the Four-Year Liquidity Memorandum Accounts maintained with respect to a Member's Capital Account in proportion to the Memorandum Account balances at the beginning of such month. Any Profit Allocations attributable to a Member's Annual Liquidity Interest, on the one hand, and Four-Year Liquidity Interest, on the other hand, are allocated in the same manner (*i.e.*, not on the basis of the relative profitability of each Memorandum Account) among such Member's Annual Liquidity Memorandum Accounts and Four-Year Liquidity Memorandum Accounts.

Certain items of Fund profits, losses, income, gain or expense may be specially allocated to certain Members, not to the Members as a group. Typically, special allocations result from Law, tax or other considerations prohibiting certain investors from participating (even indirectly through investing in the Fund) in certain transactions (for example, "new issues" — initial public offerings of equity securities). However, the Manager may cause the Fund to make such special allocations as the Manager deems necessary or advisable in the interest of the Fund as a whole.

Tax Allocations

The Fund allocates tax items generally in accordance with the financial allocations made to the Members. However, in the event that a Member Withdraws during a Fiscal Year, such Member will receive a priority allocation of gain or loss, as appropriate, so as to equalize the Capital Account and tax basis account balance of the portion of such Member's Capital Account withdrawn.

Manager Allocations

The Fund makes a Manager Allocation to the Manager (the "Manager Allocation") generally equal to 0.125% of the aggregate Gross Asset Value of each Member's Interest of either Class at the end of each calendar month (a 1.5% annual rate).

Manager Allocations are generally assessed in respect of Designated Investments at the same 1.5% annual rate generally applicable to a Member's Interests *multiplied by the lower of the* (i) cost and (ii) fair value of each such Designated Investment; provided, that if a Member has otherwise Withdrawn the entirety of its Interest in the Fund, the Manager Allocation base with respect to each remaining Designated Investment is the excess of the cost of such Designated Investment over the Distributions received with respect to such Designated Investment.

Annual Liquidity Interests and Four-Year Liquidity Interests are subject to the same Manager Allocations.

Interests held by certain designated principals and associates of Amaranth are not subject to Manager Allocations.

Profit Allocations

Profit Allocations are calculated separately with respect to the Annual Liquidity Interest and the Four-Year Liquidity Interest held by the same Member. However, all Pre-February 2006 Memorandum Accounts and Post-January 2006 Memorandum Accounts of the same Class held by a Member are combined in calculating the Profit Allocations.

General

As of each December 31 (and upon dissolution of the Fund), each Member's Annual Liquidity Interest or Four-Year Liquidity Interest is subject to a Profit Allocation equal to 20% or 15%, respectively, of any Net New Profit attributable to such Interest.

In the event that a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, Profit Allocations will be calculated separately with respect to the Member's Interest of each Class. However, all Memorandum Accounts of either Class held by the same Member are combined in determining any Profit Allocation due in respect of such Member's Interest of such Class. Profit Allocations are not calculated separately with respect to the Memorandum Accounts of the same Class established by Capital Contributions made by a Member at different times.

"Net New Profit" is the amount by which the Gross Asset Value of a Member's Annual Liquidity Interest and/or Four-Year Liquidity Interest (calculated after reduction for Manager Allocations and for all accrued expenses, but not for any Profit Allocations or for any accrued DT Bonuses to be credited against any Profit Allocations) exceeds the High Water Mark attributable to such Interest. In calculating Net New Profit, the profits and losses attributable to Designated Investment Interests (which are subject to Profit Allocations calculated separately with respect to each individual Designated Investment) are excluded. However, any Manager Allocations made and expenses payable in respect of a Designated Investment Interest from the capital attributable to a Member's Interest will reduce the Gross Asset Value of each Member's Interest and, accordingly, any Net New Profit attributable to such Interest.

The High Water Mark attributable to a Member's Annual Liquidity Interest and/or Four-Year Liquidity Interest is the highest aggregate Net Asset Value (which is then also the Gross Asset Value) of such Interest as of any preceding December 31, after reduction for the Profit Allocation then made (or a Member's aggregate Capital Contributions, if higher, in the case where such Interest has been unprofitable since inception). The High Water Mark is proportionately reduced (as described under "*— Withdrawals; Distributions; Transfers; Exchanges,*" below) whenever a Withdrawal, Distribution, Transfer or exchange is made in respect of such Interest, and increased dollar-for-dollar by Capital Contributions made by such Member (as well as by the net liquidation proceeds and/or the fair value of the underlying assets of Designated Investments returned to the General Portfolio and attributable to such Member's Interests).

As of each December 31 that a Profit Allocation is made from a Member's Annual Liquidity Interest and/or Four-Year Liquidity Interest, the High Water Mark attributable to such Interest is reset to the Net Asset Value (which is then also the Gross Asset Value) of such Interest immediately following making such Profit Allocation.

Profit Allocations do not themselves reduce Net New Profit for purposes of calculating Profit Allocations — *i.e.*, the Manager does not need to "earn back" Profit Allocations previously made in order to generate additional Profit Allocations.

Profit Allocations do not, until made, reduce the Proportionate Share of a Member's Interest of either Class for purposes of allocating Net Income or Net Loss.

The Profit Allocations are calculated in the same manner in respect of both Annual Liquidity Interests and Four-Year Liquidity Interests; however, the Profit Allocation rate is 20% for Annual Liquidity Interests and 15% for Four-Year Liquidity Interests.

Interests held by certain designated principals and associates of Amaranth are not subject to Profit Allocations.

Withdrawals; Distributions; Transfers; Exchanges

Whenever a Withdrawal or Distribution is made in respect of an Annual Liquidity Interest or Four-Year Liquidity Interest, or a Transfer of all or a portion of such Interest is made, a Profit Allocation is made equal to the Profit Allocation which would have been made in respect of such Interest were the date of such Withdrawal, Distribution or Transfer a December 31, *multiplied* by the fraction the numerator of which is the amount of such Withdrawal or Distribution, or the Gross Asset Value of the Interest Transferred, and the denominator of which is the aggregate Gross Asset Value of such Interest immediately prior to such Withdrawal, Distribution or Transfer. The High Water Mark attributable to such Annual Liquidity Interest or Four-Year Liquidity Interest is reduced by an amount equal to the same fraction, *multiplied* by the then current High Water Mark immediately prior to such Withdrawal, Distribution or Transfer.

Notwithstanding the foregoing, no Profit Allocations are made, unless the Manager otherwise determines, in the case of a Transfer of an Interest by a Member to a Related Investor. Instead, such Profit Allocations remain outstanding in respect of the Transferred Interest and are calculated through the immediately following December 31 as if the Transfer or Withdrawal had not occurred. In addition, if a Member Transfers an Interest to a Related Investor and there is a "loss carryforward" associated with such Interest, such "loss carryforward" is (unless the

Manager and the Member otherwise agree) preserved as described below in the case of Withdrawal proceeds which are reinvested in one or more Manager Clients or Trading Vehicles.

A "Related Investor" means, with respect to any Member, any Affiliate of such Member, any Family Member of such Member if such Member is a natural Person, or any investment fund or account managed or sponsored by such Member, as well as, in the case of a Member which is itself an investment fund or account, any other investment fund or account which is managed or sponsored, in whole or in part, by one or more of the same Persons who manage or sponsor such Member or by Affiliates of one or more such Persons.

In the event that a Member makes a Withdrawal and reinvests the Withdrawal proceeds in one or more Manager Clients or Trading Vehicles, any applicable Profit Allocation will be made. However, if the Class of Interests from which such Withdrawal was made was below its High Water Mark at the time of Withdrawal, the "loss carryforward" will, unless Amaranth and the Member otherwise agree, be preserved and such reinvested proceeds accounted for as if such reinvestment were a separate investment by a third party until the beginning of the first Accounting Period, if any, as of which such "loss carryforward" (as the same may be reduced as in the case of Withdrawals) has been eliminated, at which point such "separate investment" will be added to any other investment such Member may have in such Manager Client or Trading Vehicle in the same manner as a Capital Contribution (but accounting for any Net New Profit with respect to such "separate investment"). If such Member has no other investment in such Manager Client or Trading Vehicle, the reinvested amount, including any such "loss carryforward," will continue as in the case of any other investment in such Manager Client or Trading Vehicle. If a Member Transfers all or a portion of an Interest to a Related Investor and there is a "loss carryforward" associated with such Interest (or portion thereof), such "loss carryforward" will be preserved as described above.

Profit Allocations made as a result of a Withdrawal or Distribution will reduce the Gross Asset Value of the affected Member's remaining Annual Liquidity Interest and/or Four-Year Liquidity Interest, as the case may be (and are considered as part of such Withdrawal or Distribution), unless the Manager otherwise determines. Profit Allocations made as a result of a Transfer of all or a portion of an Interest reduce the Gross Asset Value of the Interest received by the Transferee.

Exchanges between Classes by a Member are treated as a Withdrawal (subject to a Profit Allocation) from the Class out of which, and as a Capital Contribution to the Class into which, such exchange is made.

DT Bonuses

The Profit Allocations that would otherwise be made as of the end of a Fiscal Year with respect to a Member's Annual Liquidity Interest and/or Four-Year Liquidity Interest are reduced (but not below \$0) by the amount of the bonuses ("DT Bonuses") payable by the Fund to Designated Traders (including DT Bonuses payable to Designated Traders by the Master Fund, to the extent that such DT Bonuses reduce the returns to the Fund) and attributable to such Interest so that (in the situation where Profit Allocations exceed DT Bonuses) *the sum of* (i) the Profit Allocations made with respect to such Annual Liquidity Interest or Four-Year Liquidity Interest for such Fiscal Year *plus* (ii) the amount of DT Bonuses borne by the Fund and attributable to such Annual Liquidity Interest or Four-Year Liquidity Interest as of the end of such Fiscal Year, *equals* (iii) the aggregate Profit Allocations that would have been made with respect to such Annual Liquidity Interest or Four-Year Liquidity Interest had Amaranth itself paid all such DT

Bonuses without reimbursement from the Fund. For further clarification, in the case where DT Bonuses exceed Profit Allocations, such excess is allocated to the Fund in the same manner as any other Allocable Expenses.

In general, Profit Allocations in respect of subsequent Fiscal Years are not affected by DT Bonuses payable in a prior Fiscal Year unless such DT Bonuses exceed the Profit Allocations that would otherwise have been made as of the end of such prior Fiscal Year, in which case such excess is allocated to the Fund in the same manner as any other Allocable Expenses of the Fund, and the Manager must "earn back" the amount of such excess (as in the case of any Allocable Expenses) before generating Net New Profit in respect of a Member's Annual Liquidity Interest and/or Four-Year Liquidity Interest, on which additional Profit Allocations are made.

Profit Allocations made during a Fiscal Year due to Withdrawals, Distributions, Transfers or exchanges (including Withdrawal, Distributions, Transfers or exchanges effective as of December 31 of such Fiscal Year) are not reduced by any DT Bonuses payable as of the end of such Fiscal Year.

Designated Traders are a strictly limited group of investment professionals who either: (i) are the portfolio managers having overall investment management responsibility — not only trading authority — for each portfolio or sub-portfolio implemented on behalf of the Fund or of the Master Fund, as the case may be; or (ii) devote substantially all of their business time to trade execution, as opposed to performing research (fundamental or quantitative), securities lending or borrowing, treasury, risk management, investor relations or other services.

For purposes of determining whether an investment professional devotes substantially all of his or her business time to trade execution, Amaranth considers, among other things, whether such person is listed with Amaranth's execution brokers as an authorized trader and the frequency of such person's (i) communications with sales desks of the execution brokers for execution-related purposes and (ii) trade execution with the execution brokers. The extent to which an investment professional's compensation is based on the performance of one or more specific portfolios, sub-portfolios or positions, and the amount and/or form of such investment professional's compensation, are not determinative of such investment professional's status as a Designated Trader. In fact, certain Amaranth personnel (including persons who are not investment professionals) may receive a higher level of compensation than certain Designated Traders. Not all highly compensated investment professionals and members of Amaranth's senior management are Designated Traders.

For purposes of determining whether an investment professional is a portfolio manager of a sub-portfolio, the Designating Party considers, among other things, (i) the investment professional's level of discretion over trading decisions without input from the portfolio manager for the overall portfolio and level of input in setting investment strategy for the overall portfolio or sectors of the overall portfolio and (ii) the existence of any trading limits imposed on such investment professional by the portfolio manager. An investment professional may be the portfolio manager of a portfolio, and of any one or more of the sub-portfolios of such portfolio even if another investment professional has significant investment responsibility for a portion of the capital committed to such portfolio and/or sub-portfolios. However, it is highly likely that an investment professional who is the portfolio manager for a sub-portfolio will be the portfolio manager for the portfolio of which such sub-portfolio is a constituent part.

Notwithstanding the number of portfolio managers employed by Amaranth, there is only one investment professional designated as the portfolio manager for each portfolio or sub-

portfolio, and the same investment professional may be designated as being the portfolio manager for more than one portfolio or sub-portfolio.

The determination of which Manager Party employees constitute Designated Traders, as well as of the portion of such individuals' activities and/or the portion of the applicable Fiscal Year with respect to which such individuals were so classified, involves a subjective determination by Amaranth.

Amaranth's determination of which of its personnel constitute Designated Traders (certain of such personnel may be so designated in respect of a portion of their bonuses or for only a portion of the Fiscal Year) is binding if made in a manner consistent with the standard of care set forth in the Material Contracts.

Amaranth may, but is under no obligation to, pay DT Bonuses from its own assets, in which case such DT Bonuses will not reduce Profit Allocations.

DT Bonuses are allocated among the different Manager Clients in such manner as the Manager may determine. DT Bonuses allocated to the Fund are allocated between the Annual Liquidity Memorandum Accounts and the Four-Year Liquidity Memorandum Accounts, reducing the Profit Allocations otherwise made from them, *pro rata* in accordance with the Profit Allocations attributable to each such Memorandum Account (and, for the avoidance of doubt, not in accordance with the Proportionate Shares of each such Class or Memorandum Account), unless the Manager otherwise determines.

Designated Investments

Profit Allocations are calculated separately with respect to the Designated Investment Interest issued to a Member in respect of each Designated Investment, irrespective of the performance of such Member's Annual Liquidity Interest or Four-Year Liquidity Interest (or of the other Designated Investment Interests issued to such Member in respect of other Designated Investments). Such Profit Allocations are calculated separately with respect to capital allocated from a Member's Annual Liquidity Interest and Four-Year Liquidity Interest to such Designated Investment, at a 20% and 15% percentage rate, respectively.

The capital allocated to a Designated Investment from a Member's Annual Liquidity and Four-Year Liquidity Interests proportionately reduces the High Water Mark attributable to such Interest if the Gross Asset Value of such Interest is below its High Water Mark at the time of such allocation, and reduces such High Water Mark on a dollar-for-dollar basis (with no Profit Allocation being made) if such Gross Asset Value is in excess of such High Water Mark at the time of such allocation.

Trading Vehicle Advisory Fees

To the extent that the Fund invests (directly or synthetically through a derivative instrument) in a Trading Vehicle from which Amaranth or any of its Affiliates receive asset-and/or performance-based compensation (as well as expense reimbursements), Amaranth will, as reasonably practicable, waive, adjust or otherwise offset the Manager Allocations and Profit Allocations which Amaranth receives from the Fund to the extent that such compensation results, in the determination of Amaranth, in Amaranth receiving compensation in excess of the Manager Allocations and Profit Allocations that Amaranth would have received absent such investment in such Trading Vehicle. *For a more detailed description of the treatment of performance-based*

compensation payable by the Fund or payable to Amaranth, see " — Operating Expenses and Transaction Costs," below.

Limited Waiver Authority

The Manager will not waive or reduce the Manager Allocations and/or Profit Allocations (and DT Bonus adjustments) otherwise applicable to any Member except in the case of Manager Party Investors (such Manager Party Investors will, accordingly, receive credits to the extent that the Profit Allocations that would otherwise have been made by such Manager Party Investors would have been reduced by DT Bonuses).

Operating Expenses and Transaction Costs

The Fund pays all of its trading, operating and administrative costs and expenses, as well as the costs, fees and expenses of the auditors and legal advisers to the Fund, the cost of printing and distributing periodic and annual reports and statements and all other expenses related to the business of the Fund. The Fund also bears its allocable share of Amaranth's and the Master Fund's direct and indirect general operating and administrative costs and expenses, as well as those of the Manager Parties (including those of the Manager Parties located outside the U.S.) in providing services to the Fund, including, without limitation, employee compensation (including bonus compensation), severance arrangements and non-competition covenant costs, depreciation, office rent, information systems, computer hardware and software, investment research, quotation services and other overhead expenses, litigation-related and other legal expenses and the costs of general operating assets including leasehold improvements, data transmission lines and communications equipment, furniture and fixtures. THE ALLOCABLE EXPENSES CAN HAVE A MATERIAL, NEGATIVE IMPACT ON THE PERFORMANCE OF THE FUND.

The Allocable Expenses paid by the Fund include a variety of expenses that Amaranth considers to be necessary, advisable or desirable for its operations, but that may be materially more expensive than those incurred by other businesses or by other hedge fund managers. Amaranth believes that these expenses generally relate to resources, facilities and activities that benefit the Fund and/or other Manager Clients (although not necessarily in all cases) by enabling Amaranth to attract and retain capital and talented personnel (in a highly competitive market for talent) and contributing to the morale and focus of existing Amaranth personnel. The Allocable Expenses may also include expenses relating to activities geared toward: new client development, recruiting personnel, attempting to develop strategies which may never be used for the Fund (and which may be used by other Manager Clients and/or Manager Parties) as well as identifying and analyzing investment opportunities that ultimately may be unsuccessful or that may benefit other Manager Clients and/or Manager Parties more than or instead of the Fund.

Historically, the largest single component of the Allocable Expenses has been compensation and benefits for employees of Amaranth and its affiliates. The Allocable Expenses include *all* compensation and benefits expenses — other than DT Bonuses — for *all* employees, and thus include the total compensation payable to Amaranth's senior executives who are not Designated Traders (*e.g.*, the Chief Operating Officer, Chief Risk Officer, Chief Financial Officer, Chief Technology Officer, Treasurer and General Counsels), as well as that of all investment professionals who are not Designated Traders. The bonus compensation payable to these employees can be significant, and especially so in years where the investment performance of the Fund and/or other Manager Clients exceeds Amaranth's expectations. In addition to base salary and bonuses, the benefits provided to employees includes, without limitation, full health, dental and vision care benefits, 401(k) "matching" contributions, life insurance and disability

coverage, a tuition reimbursement program, relocation expenses for new hires and certain expatriate benefits for non-local employees assigned to Amaranth's non-U.S. offices.

Amaranth maintains a global operation with offices in a number of U.S. and non-U.S. cities, including: Greenwich, Connecticut; Houston, Texas; Calgary and Toronto, Canada; London, England; and Singapore. Amaranth also maintains a stand-alone disaster recovery site. Allocable Expenses include the costs of maintaining these facilities.

Allocable Expenses are incurred either in connection with Amaranth's operations or in connection with Amaranth employees' participation in such operations. For example, Amaranth provides meals for employees who work late and in connection with certain internal meetings, as well as beverages and snacks on a continuous basis, employee lounges and an employee exercise facility, transport, travel and lodging for employee attendance at industry conferences, "offsite meetings" for different business units and personnel groups, travel and lodging for visits to existing and/or prospective investors, portfolio companies, service providers and other business relationships, memberships in professional organizations and, in certain cases, other clubs, personalized information technology solutions to certain of its key personnel as well as, to the extent permitted by applicable regulations or self-regulatory organization rulings, gratuities and gifts, as well as travel and entertainment for industry participants with which Manager Clients do, or seek to do, business.

Certain of Amaranth's Allocable Expenses relate to facilities intended to support the executive, management and investor relations operations of Amaranth — for example, hosting client meetings and presentations, executive sessions and group and firm functions — in an environment which Amaranth believes is conducive to productivity and to augmenting and maintaining Amaranth's stature and reputation in the industry. Allocable Expenses include the cost of personal property and fixed assets utilized by a Manager Party in connection with providing services to the Fund and/or other Manager Clients, and which personal property or fixed assets are owned by Amaranth.

In certain cases, Allocable Expenses include the debt service on advances made to Amaranth by Manager Clients in order to purchase personal property or fixed assets, such advances reducing the trading capital available to such Manager Clients (although not their net asset value) and being paid down by the depreciation expenses paid by the Manager Clients. Allocable Expenses also include advanced telecommunications available for use both in client and third-party communications.

The Fund indirectly bears a portion of the expenses and charges incurred by the Master Fund including, in addition to those described above (such as the Master Fund's direct Allocable Expenses and its share of Amaranth's Allocable Expenses), its ongoing expenses such as brokerage and custodial fees and expenses, auditing and pricing expenses, administration fees and expenses, legal fees and extraordinary expenses, as well as fees and expenses incurred in the borrowing and lending of securities and the costs implicit in financing transactions — in each case, based on the ratio of the Fund's investment in the Master Fund to the total capital of the Master Fund.

Expenses borne by the Fund also include the Fund's allocable share of expenses incurred by other Trading Vehicles in which the Fund invests.

The Fund bears its allocable share of all expenses associated with its investments in Third-Party Ventures, which may include incentive or performance-based fees, management fees

(including asset-based fees) and other fees and expenses payable to Third-Party Managers or other advisers or managers participating in such Third-Party Ventures. In the event that the Fund pays a management and/or performance-type fee to a Third-Party Manager or in connection with a Third-Party Venture, then such management and/or performance-type fee will be accounted for using the following principles: (i) if the management and/or performance-type fee is paid by the Fund to an entity that is not affiliated with the Manager, it will be treated as an expense of the Fund (of which Amaranth effectively bears a share due to the fact that the expenses of the Fund reduce the Net New Profit on which the Profit Allocation is calculated), (ii) if the Fund pays a management and/or performance-type fee to an entity owned 100% by the Manager, then the management and/or performance-type fee will reduce, dollar-for-dollar, the Profit Allocation made by the Fund to the Manager (or be treated as DT Bonuses) and (iii) if the Fund pays a management and/or performance-type fee to an entity owned in part by the Manager, then the management and/or performance-type fee paid to such entity will be bifurcated such that the amount received by the unaffiliated entity (which will be treated as an Allocable Expense), and the amount received by the Manager are accounted for separately (which will reduce, dollar-for-dollar the Profit Allocation made by the Fund to the Manager).

Included in the Allocable Expenses described above are (A) the amounts that the Fund pays to Amaranth Group for providing certain administrative, accounting and other services to the Fund, and the Fund's share of the costs indirectly borne by it relating to such services provided by Amaranth Group to the Master Fund and (B) the costs and expenses of Affiliates of Amaranth operating within as well as outside of the U.S. See *"Risk Factors"* and *"Conflicts of Interest."*

Notwithstanding the fact that (i) the Fund may pay (either directly or as a reimbursement) for the personal property and fixed assets utilized by a Manager Party in connection with providing services to the Fund and/or other Manager Clients (such as general operating assets including leasehold improvements, data transmission lines and communications equipment, furniture and fixtures), (ii) the book value of such personal property and fixed assets may be included in the calculation of the Net Asset Value of the Fund and (iii) depreciation on such personal property and fixed assets may reduce the Net Asset Value of the Fund, the Fund does not, and Amaranth or another Manager Party does, have the legal title and the right to use and retain such personal property and fixed assets.

Allocable Expenses (including expenses associated with Designated Investments and out-of-pocket expenses associated with transactions that are prospective Designated Investments) are allocated among the different Manager Clients in such manner as Amaranth may determine, giving consideration to relative capitalization, relative position size, number of holdings and profitability (*i.e.*, the dollar amount of profits generated, not the percentage rate of return). Variable expenses (primarily the bonus compensation of Amaranth personnel which are not Designated Traders) are allocated primarily on the basis of the relative profitability of the respective Manager Clients. The methodology used to allocate Allocable Expenses among the Manager Clients does not attribute Allocable Expenses to the various Manager Clients on the basis of the costs incurred by their respective operations, and the Fund may be subject to Allocable Expenses incurred with respect to investment activities in which the Fund does not itself participate but in which other Manager Clients and/or Manager Parties do participate. See *"Conflicts of Interest — Amaranth — Profit Allocations; DT Bonuses; Allocable Expenses."*

During 2002, 2003 and 2004, the Allocable Expenses borne by the Members, net of the effect of the Profit Allocations and DT Bonuses (which reduce Fiscal Year-end Profit Allocations), approximated 2.0%, 2.6% and 2.0%, respectively, of the average Net Asset Value of the Fund. These Allocable Expenses are in addition to the Manager Allocations and Profit

Allocations made to Amaranth. Allocable Expenses reduce the Net New Profit on the basis of which Profit Allocations are made. Accordingly, in profitable years the Manager and the Designated Traders effectively absorb up to 20% of the Allocable Expenses attributable to the Annual Liquidity Interest and 15% of the Allocable Expenses attributable to the Four-Year Liquidity Interest.

Income taxes paid or withheld by the Fund in respect of income or gain allocable to a Member will not be treated as an expense of the Fund but rather will be treated as a Distribution to such Member.

Designated Investments

From time to time, the Manager may designate an investment (at or within thirty (30) days of the date such investment is made) as a "Designated Investment" in which only persons who are Members (other than DI Opt-Out Members) as of the first day of the calendar month during which such Designated Investment is so designated will participate. Members (other than DI Opt-Out Members) will be issued separate Designated Investment Interests (divided into Annual Liquidity Interests and Four-Year Liquidity Interests) in respect of each such Designated Investment. Such Member will retain such Designated Investment Interest (tracked as an Annual Liquidity Interest and/or a Four-Year Liquidity Interest, as the case may be) until such Designated Investment is liquidated or Amaranth determines, in its discretion, to return all or a portion of the underlying assets of such Designated Investment to the General Portfolio following a Liquidity Event with respect to such Designated Investment — whether or not such Members have otherwise Withdrawn the entirety of their Interests.

Manager Allocations and Profit Allocations are calculated separately with respect to each Designated Investment. See "*— Manager Allocations*" and "*— Profit Allocations*," above.

Profit Allocations made from Designated Investments are calculated on the basis of the excess of the net liquidation proceeds and/or the fair value of the underlying assets of such Designated Investment returned to the General Portfolio (plus any other Distributions received from such Designated Investment) over the capital allocated to such Designated Investment. Only the Manager Allocations and expenses allocated to a Designated Investment reduce the net liquidation proceeds and/or fair value of such Designated Investment for purposes of calculating the Profit Allocation made with respect to such Designated Investment (even if such net liquidation proceeds or such fair value are used to make the Manager Allocations and/or pay expenses attributable to a Member's other remaining Designated Investments).

Designated Investments generally are not allocated a share of the Fund's overall expenses because Designated Investments generally require little ongoing commitment of resources once they have been made. Designated Investments are allocated those out-of-pocket expenses which Amaranth determines to be attributable to each such Designated Investment. However, the Manager may include in the capital allocated to a Designated Investment capital commitments made by the Fund to be invested in the future in, as well as the estimated expenses associated with, such Designated Investment, the capital balances associated with which will continue to participate in the Fund's General Portfolio — but cannot be withdrawn until the Designated Investment is liquidated or the underlying assets returned to the General Portfolio by the Manager following a Liquidity Event with respect to such Designated Investment — until such time as such capital commitments either are invested in, or utilized to pay the expenses of, such Designated Investment in accordance with its terms. Such capital balances will be subject to paying their share of the Allocable Expenses; provided that if a Member has otherwise

Withdrawn the entirety of such Member's Interest and holds only Designated Investment Interests, any such capital commitments will be held in cash or cash equivalents rather than being invested in the General Portfolio and will no longer be subject to any Allocable Expenses.

Manager Allocations and expenses due in respect of Designated Investment Interests issued to a Member are deducted from the Capital Account balances attributable to such Member's Interest(s). In the event that a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, the Manager Allocations and expenses allocable to Designated Investment Interests held by such Member are allocated between these two Classes of Interests *pro rata* in accordance with such Interests' respective Proportionate Shares (not necessarily in accordance with the relative participation of Annual Liquidity Interests and Four-Year Liquidity Interests in such Designated Investment Interests).

If a Member has otherwise Withdrawn all of such Member's Interest, the Manager Allocations (in the form of a Monthly Management Fee) and expenses attributable to any remaining Designated Investments of such Member will accrue (the Manager will waive current receipt of such Manager Allocations without interest and advance such expenses with interest at one-month LIBOR plus 0.50% per annum) and be payable or made from the proceeds of such Designated Investments. The net liquidation proceeds and/or the fair value of underlying assets of each of a Member's remaining Designated Investments, as such net liquidation proceeds or underlying assets become available, will be used to pay the outstanding Manager Allocations and pay the accrued expenses attributable to all of such Member's remaining Designated Investments (whether or not still outstanding). However, if the aggregate proceeds of such Designated Investments are insufficient to make all or a portion of such Manager Allocations and/or pay all or a portion of such expenses (plus interest) not previously made or paid, such Member is not held liable for the unpaid portion.

Service Providers

Amaranth retains, at the expense of the Fund, a variety of different service providers both for the Fund and for Amaranth in its capacity as Manager of the Fund. While Amaranth generally seeks to obtain competitive pricing from such service providers, Amaranth does not in most cases take bids, and the Fund may not pay the lowest available rates.

RISK FACTORS

The Interests are speculative and illiquid securities involving substantial risk of loss and are suitable for investment only by sophisticated persons for which an investment in the Fund does not represent a complete investment program and who fully understand and are capable of assuming the risks of an investment in the Fund. The following considerations, which do not purport to be a complete indication of all risks involved in an investment in the Fund, should be carefully evaluated before deciding whether to invest in the Fund.

General Risks

An investment in the Fund involves a high degree of risk. The Fund cannot assure any Member that the Fund's investment objective will be achieved or that such Member will not lose all or substantially all of such Member's investment.

Past Performance

The past performance of speculative trading strategies such as those implemented by the Fund is not necessarily indicative of their future results. Furthermore, on an ongoing basis Amaranth is continually expanding the Fund's portfolio into new market sectors, instruments and strategies as well as investing in Third-Party Ventures and/or with Third-Party Managers and Longer-Term Investments. Consequently, the Fund's trading and investing in the past may not be representative of its current or future investment approach.

Risk of Loss

An investment in the Fund involves a high degree of risk, including the risk that the entire amount invested may be lost.

Possible Positive Correlation with Stocks and Bonds

One of the goals in incorporating a non-traditional investment such as the Fund into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Fund will, in fact, experience a low level of correlation with a traditional portfolio of stocks and bonds.

Physical Trading and Investing

The Fund may invest and deal in physical assets such as oil, gas, electric power, transmission facilities and power plants. These investments are subject to risks — destruction, loss, industry-specific regulation (e.g., pollution control regulation), operating failures, labor relations, etc. — that are not typically directly applicable to financial instrument trading. In addition, the regulation of such assets is extensive and variable, and the Fund's commitment to certain of such assets (e.g., if the Fund were to invest in a power plant) could be wholly illiquid for long periods of time.

Financing Arrangements; Availability of Credit

The use of leverage is integral to many of the Fund's strategies, and the Fund depends on the availability of credit in order to finance its portfolio. There can be no assurance that the Fund

will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Fund can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Fund to liquidate all or a portion of its portfolio at disadvantageous prices.

Reliance on Corporate Management and Financial Reporting

Many of the strategies implemented by the Fund rely on the financial information made available by the issuers to which the Fund has exposure. Amaranth has no ability to independently verify the financial information disseminated by the thousands of such issuers and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors such as the Fund can incur as a result of corporate mismanagement, fraud and accounting irregularities.

Competition; Potential Strategy Saturation

The Fund competes with numerous other private investment funds as well as other investors, many of which have resources substantially greater than the Fund's.

The amount of capital committed to alternative investment strategies has increased dramatically during recent years. At the same time, market conditions have become significantly more adverse to many of such strategies than they were in previous years. The profit potential of the Fund may be materially reduced as a result of the "saturation" of the alternative investment field. The Fund has created Four-Year Liquidity Interests to provide a more stable capital base that will permit the Fund to invest (on behalf of both Annual Liquidity Interests and Four-Year Liquidity Interests) to a substantially greater extent in Third-Party Ventures and Longer-Term Investments that the Fund believes present profit opportunities outside of the scope of traditional alternative investment strategies.

Changing Market Conditions

Certain changes in general market conditions — for example, a decline in the corporate issuance of equity-linked securities (e.g., convertible bonds) or a persistent but gradual degradation of overall equity and/or debt prices — could materially reduce the Fund's profit potential.

Counterparties and Brokers

The financial institutions and counterparties, including banks and brokerage firms, with which the Fund trades or invests, may encounter financial difficulties and default on their respective obligations to the Fund. Any such default could result in material losses to the Fund.

Custody Risk

The Fund does not control the custodianship of all of its securities. The banks or brokerage firms selected to act as custodians may become insolvent, causing the Fund to lose all or a portion of the funds or securities held by those custodians.

Market Risks

Market Risks in General

All of Amaranth's strategies are subject to some dimension of market risk: for example, directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality" and "credit squeezes." Amaranth's style of alternative investing (including its relative value trading) may be no less speculative than traditional investing strategies. On the contrary, alternative investment strategies have from time to time incurred sudden and dramatic losses.

The diversification of the Fund's positions and strategies may not always be significant and, even if significant, may not provide meaningful risk control, even though it may reduce the Fund's profit potential as a result of certain strategies being unprofitable while others are profitable.

Amaranth may have only limited ability to assess the market risks to which the Fund's investments with Third-Party Ventures are subject.

The Fund may be committed to Longer-Term Investments for a number of years, irrespective of material changes in general economic conditions or in Amaranth itself.

The particular or general types of market conditions in which the Fund may incur losses or experience unexpected performance volatility cannot be predicted, and the Fund may materially underperform other investment funds with a substantially similar investment objective and approaches.

Volatility

The prices of the instruments traded by the Fund have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities for the Fund, it can also create the specific risk, in the case of the Fund, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain of the Fund's strategies that profit from price movements.

Stagnant Markets

Although volatility is one indication of market risk, certain of the investment strategies employed by the Fund rely for their profitability on market volatility contributing to the

mispricings which they are designed to identify. In periods of trendless, stagnant markets and/or deflation, alternative investment strategies have materially diminished prospects for profitability.

Lack of Liquidity

Despite the generally heavy volume of trading in most of the instruments traded by the Fund, the market for some of these instruments may have limited liquidity. Lack of liquidity can make it economically unfeasible for the Fund to recognize profits on open positions or to close out open positions against which the market is moving. In addition, illiquidity can disconnect market values from the historical pricing indicators used in Amaranth's investment analysis, as the fewer transactions that take place the greater the risk of market values not reflecting true pricing relationships or fair value.

Market Disruptions

The Fund may incur major losses in the event of disrupted markets, and other extraordinary events may not be consistent with historical pricing relationships (on which Amaranth bases a number of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

The financing available to the Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund. In 1994 and again in 1998 a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of private investment funds applying strategies similar to those implemented by the Fund. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that non-exchange markets will remain liquid enough for the Fund to close out positions.

Strategy Risks

Multi-Strategy Approach

Although historically the Fund's core portfolio has been concentrated in a variety of relative value or arbitrage strategies, there are no material limitations on the instruments, markets or countries in which the Fund may invest or on the investment strategies which may be employed on behalf of the Fund, and the Fund has significant exposure to event-driven and directional as well as hybrid strategies. In fact, many of the relative value and event-driven investment strategies used by the Fund have inherently directional characteristics; for example, certain statistical equity arbitrage strategies involve trading portfolios of long and short equity positions based on valuation techniques which are equally applicable to directional strategies. Amaranth believes that its opportunistic directional investing can provide significant, incremental profit potential over time as a natural outgrowth and complement to Amaranth's relative value and event-driven approaches. Directional investing is subject to all the risks inherent in

incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and even if the determining factors are correctly identified, Amaranth's analysis of those factors may prove inaccurate — in each case, potentially leading to substantial losses.

Relative Value Strategies

The success of the Fund's relative value trading is dependent on Amaranth's ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional trades as the former attempt to exploit price differentials not overall price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which the Fund maintains its positions. Even pure "riskless" arbitrage — which is rare — can result in significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. The Fund's relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third -party valuation models. Market disruptions may also force the Fund to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies.

A major component of the Fund's relative value trading involves spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of the Fund's trading, result in increased losses. In addition, changes in the shape of the yield curve can cause significant changes in the profitability of hedging or spreading operations. In the event of an inversion of the yield curve, the reversal of the interest differential between investments of different maturities can make previously profitable hedging techniques unprofitable for the Fund.

In recent market conditions, the profitability of relative value trading has been materially reduced — in part due to the number of market participants seeking to exploit the same perceived mispricings.

Event-Driven Investing

The Fund invests in positions whose profitability depends on the result of some significant corporate event, for example, a merger, tender offer, exchange offer or liquidation. Corporate events are affected by numerous factors — including not only market movements but also regulatory intervention, shareholders' consent and changes in interest rates and economic outlook — that can have a particularly adverse effect on even the most apparently safe risk arbitrage investments. The risk of non-consummation in such transactions is high, and unexpected outcomes can lead to substantial losses.

Directional Trading

Certain of the positions taken by the Fund are designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.